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ECONOMY

INTERNATIONAL AFFAIRS

CEMA RESEARCH COOPERATION, INDUSTRIAL STANDARDIZATION CITED

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 34 No 5, May 86 pp 674-90

[Article by Renate Weiss, Dr of Economics, Certified Economist, born 1937, lecturer at the Central Institute for Socialist Economic Management, CC SED; and by Harald Zschiedrich, Dr of Economics, Certified Economist, born 1947, advanced school lecturer with the Section for Marxism-Leninism at the "Bruno Leuschner" Advanced School for Economics, East Berlin. Original title: "Innovation Processes and the Improvement of International Technico-Scientific Cooperation in Industrial Combines"]

[Text] Summary

The authors start from the consideration that the transition to comprehensive intensification of the national economy will markedly emphasize the interrelationship between accelerated scientific and technological progress and continuing intensification of socialist economic integration. In view of the complex program for scientific and technological progress by the year 2000, adopted at the 41st (extraordinary) CEMA session in Moscow in December 1985, the article deals with a number of resulting issues concerning the intensification of scientific and technological cooperation in the industrial combines.

The authors review the requirements for scientific and technological cooperation from the point of view of the preparation and broad application of innovations. In so doing, they focus attention on four major areas of cooperation:

1. Harmonization of scientific and technological concepts and of the parameters of new products with the principal users;
2. Research cooperation in the development of basic technologies and integrated technological systems;
3. Exchange of non-physical services;
4. Cooperation in the field of standardization.

The authors combine the discussion of new contents of scientific and technological cooperation with a demonstration of purposes and criteria for an assessment of the efficiency of cooperation in this field.

Interaction between the speed-up of scientific-technological progress and the further deepening of socialist economic integration assumes greater depth upon the transition to comprehensive intensification. The prompt settlement of development problems closely linked with the intensification of the CEMA member countries' economies therefore gains increasing importance.

Consequently, the CEMA member countries adopted a complex program of scientific-technological progress through 2000. The program lists the main tasks for the CEMA countries' cooperation with respect to the development and use of decisive key technologies. According to the joint comment by the SED CC Politburo and the GDR Council of Ministers, this involves for microelectronics, automation equipment, the development of nuclear energy, new materials and technology as well as biotechnology "the earliest possible achievement of top scientific-technological performances and their rapid economic utilization with the aim of substantially raising labor productivity and of intensifying social production all-round." (1) The successful realization of this program calls for the independent contribution of each country and the inclusion of its potentials down to basic economic units. The program, enacted in December 1985 at the 41st (extraordinary) session of the Council for Economic Mutual Aid, provides vital prerequisites for the coordinated and efficient preparation and implementation of innovation processes.

Taking into account the objectively growing place value of scientific-technological progress for the socialist international division of labor, international discussions increasingly focus on the work concerned with the effect of innovation processes on the content, orientations and methods of international specialization and cooperation in science, technology and production. (2)

This article deals with some aspects of the dialectic of innovation processes and the deepening of international socialist scientific-technological cooperation. Starting from the requirements of innovation processes, the authors examine the objective bases, requirements and orientations of coordinated scientific-technological policy. Special attention is devoted to the changes in the substance and methods of scientific-technological cooperation as well as to the more demanding criteria with regard to the economic contribution of scientific-technological cooperation in the combines. The authors' reflections are based on the results of the theoretical discussion of innovation processes, carried on in recent years. (3)

In connection with the planned handling of economic innovation processes, the combines too need to confront new challenges arising from the objective needs of modern productive force development as well as by the relatively advanced international interlocking already achieved in some sectors. Though the combines hold a great deal of responsibility with respect to the preparation and implementation of innovation processes, new and complex tasks related to the preparation and realization of innovation processes also arise for the

central state organs and scientific institutions (GDR Academy of Sciences in the field of basic research): "It will now be crucial in close cooperation with the combines to give concrete expression in the 5-Year Plan for basic research to these main orientations of the conception, in harmony with the CEMA complex program."(4)

Within the framework of central state management and planning, this particularly involves decisions that, consonant with the complex nature of innovation processes, range beyond a sector or individual industries. The planned mastery of various interrelations in connection with the management and planning of national and international research and production cooperations now moves to the fore.

Starting with the description of some textual aspects of the preparation and realization of a harmonized scientific-technological policy, the authors of the article concentrate mainly on some consequences arising therefrom for the deepening of scientific-technical cooperation in the combines.

The Development of Modern Productive Forces--Basis for the Deepening and Expansion of Scientific-Technological Cooperation

The economic strategy announced at the Tenth SED Congress and the tasks set at the Ninth, Tenth and Eleventh SED CC Plenum provide the SED with a clear concept for the dynamic development of the productive forces. While shaping their economic policies, the other European CEMA countries, too, take account of the revolutionary role of the productive forces with regard to social advances. The organization of developed socialism in the CEMA countries is based on the qualitative revolutionary change of the productive forces: "We are all aware that the development of the productive forces has far reaching significance for the future social prospects of socialism. Our party focuses on the rapid development of the productive forces, because the status of socialism in the international class war vitally depends on our success in handling this issue."(5)

The analysis of the changes in the standard of the productive forces--and therefore also in the matter of the member countries' international cooperation in science, technology and production--is the decisive starting point for the discovery of new development trends in the basic forms of the international socialist socialization of production and labor, in other words the international division of labor, specialization, cooperation, concentration and combination.

Such criteria of innovation processes as qualitative novelty, structural changes, commercial exploitation, the widest possible range of utilization as well as the speed of utilization increasingly orient international scientific-technological cooperation to the materialization of its results in the shape of new products, new processes and new materials.

In the course of the further organization of international socialist scientific-technological cooperation we become increasingly aware that radical changes in the structure of the productive forces, changes in the interrelations between the various elements (intensification of the connection

between equipment and technology) are occurring in the current conditions of the scientific-technological revolution. Ultimately these are joined by entirely new elements, and all of this crucially affects the contents and directions of international cooperation. In their "German Ideology," Marx and Engels persuasively demonstrated these interrelations between the development of the productive forces and the social division of labor. They wrote: "The relations of the various nations among themselves depend on the respective development of their productive forces, the division of labor and domestic trade...Unless this merely amounts to a quantitative extension of known productive forces, every new productive force...results in an advance in the division of labor."(6)

Upon transition to the intensive type of reproduction, differentiated and various interrelations are generally discernible between international socialization and scientific-technological progress. These need more detailed examination. International socialization proceeds with particular intensity especially in connection with the preparation and implementation of fundamental innovation processes. Evidently this also means greater challenges to just this cooperation. Changes indisputably occur in the substance and object of cooperation. Urgency and necessity, too, shift directions and this is demonstrated in the increased spending on research, development, industrial testing and the rapid spread of innovations in the CEMA countries. Moving to the center of attention, therefore, are areas of international cooperation (cooperation in the introduction and spread of innovations), that used not to attract quite so much attention.

When, following studies carried out in the combines, we generalize the first experiences gained in the realization of the long-range program for the development of cooperation in the fields of science, technology and production through 2000, concluded in 1984 by the GDR and the USSR, we notice two main trends:

First: In the conditions of the evolution of a new type of technology, the perfection of the material-technological base in the member countries, the results of creative scientific-technological efforts increasingly represent the starting point and material basis of many specialized processes in science, technology and production. This amounts to a change in the structure of the reciprocal division of labor, reflected in the growing scientific intensity of the exchange, among others. We note a rising demand for research intensive products, modernization and reconstruction services as well as rationalization processes that are normally based on qualitatively superior scientific-technological results.

Scientific-technological cooperation in the field of machine tool construction, for example, orients directly to the development of complex technical and technological proposals for the modernization and rationalization of production. The GDR is to supply the USSR by 1990 with 9 flexible machine systems and 150 flexible production department sections for working on prismatic and rotation symmetric parts.(7)

Second: Technology in the CEMA member countries is increasingly developing into an active and leading element of the modern system of mechanical

production. More and more it is shown to be an important link in the tighter combination of science and production cooperation in connection with the faster and more comprehensive introduction to production of the results of scientific-technological cooperation. In view of the fact that the utilization of raw materials and other materials vitally depends on technology, the orientation to cooperation in the development of new and more progressive resource conserving technologies assumes ever greater importance in the scientific-technological cooperation for the solution of the raw materials and fuel problem.(8) The Complex Program for Scientific-Technological Progress through 2000, resolved upon by the 41st (extraordinary) CEMA session therefore mainly provides for the development of new and progressive technologies in combination with the development of new and resource conserving equipment, devices and machines. The best results with regard to the more efficient use of material resources will be achieved by a coordinated strategy for the technical reequipping of the national economies (the introduction of energy and materials conserving technologies) as well as by the optimalization of the structure of the production and consumption of resources.

By comparison with the extensive type of reproduction and demonstrated by successful experiences, a more technology oriented international scientific-technological cooperation results in far more profound, longer-range and more stable interlinks between reproduction processes.

The combination of innovation process and socialization process in science, technology and production has the effect of requiring increasing importance to be assigned to the advanced division of labor, specialization and cooperation in science and technology at all stages of scientific-technological work. The division of labor in the important phase of the preparation of innovation processes is profoundly affected by the development of products and technologies.

Deepened social division of labor and cooperation are not only the consequence but more and more the precondition for the planned management of innovation processes. Experiences in the combines graphically demonstrate that the efficient organization of the division of labor and cooperation among all facilities involved in research represents the pivotal point in the management of innovation processes.

The Tenth SED CC Plenum emphatically pointed out some of the consequences arising from the development of modern productive forces for the organization of research cooperation: "We need important innovations such as can be produced only by basic research aiming far into the future. This sets new criteria for research cooperation between combines, the facilities of the Academy, the universities and colleges, oriented to economic requirements."(9)

The current types of cooperation between science and industry (10) also represent an important precondition for a higher standard of international specialized collaboration, because new steps and new methods of international division of labor and cooperation are rooted in advances achieved in the standard of the socialization of scientific-technological work within the various national economies.

The extensive development by combines and research facilities of the potential benefits of international socialist specialization and cooperation in science, technology and production requires a great deal of coordination in our scientific-technological policy in connection with the preparation and realization of innovation processes.

Harmonized Scientific-Technological Policy--Requirement of the Preparation and Realization of Innovation Processes

The Complex Program of Scientific-Technological Progress through 2000 aims at a significantly greater concentration of the resources included in scientific-technological cooperation. The harmonized main directions of scientific-technological progress are the expression of this effort. They will determine the subject matter of the international division of labor and cooperation in the years to come.

The collective efforts were directed to the coordination of the main directions of scientific-technological progress as well as to the elaboration of a document including concrete data in regard to the tasks, dates and responsibilities relating to the preparation and implementation of these key technologies within the framework of the community. It is a significant advantage of the Complex Program of Scientific-Technological Progress that concrete treaties and contracts are concluded within the framework of the realization of the main directions. These involve the phases science-technology-production-sales.

Taking into account the level of interlinking between the scientific-technological potentials as well as the important structural changes that are proceeding in the course of the realization of the above main directions of scientific-technological cooperation, the following requirements for a coordinated scientific-technological policy come to the fore:

1. The economic demand for a harmonized scientific-technological policy results primarily from the strong rise in spending for the generation and spread of innovation processes in relation to available scientific-technological potentials and resources. The changes in the structure of spending on innovation processes (rising proportion of spending on tests and transfer) compel us to focus international socialist scientific and production cooperation on the issue of introduction and mass application.

2. In the current status of the transition to comprehensive intensification we appreciate the commonality of interests in the efforts for a speedier development of labor productivity, the improvement of the quality of production, the reduction of materials and energy intensity, the optimalization of industry structures and processes, all of them primarily the results of innovation processes. This large extent of commonality and the differences in specific interests and conditions at one and the same time permit and require the coordination of scientific-technological policy. The analysis and harmonization of interests as well as the factors affecting them turn out to be the main substance of coordinated scientific-technological policies. At the same time, conditions (scientific-technological standard,

resource availability, production and foreign trade structures) for the evolution, introduction, spread and utilization of innovations differ quite sharply. Consequently the member countries are not always equally interested in this or that method of international scientific-technological cooperation for the preparation and implementation of innovations (differences in the standard of concentration, the maturity of productions, the standard of labor productivity).

3. Structural changes in all CEMA countries are increasingly proceeding as the result of the materialization of results of scientific-technological advances. We agree with K. Steinitz who wrote: "The key to the problem of the further development of the production structure is the planned mastery of innovation processes, ranging from the selection of the processes that are to have resources concentrated on them, via their timely preparation and ending in their implementation at a speed of spread and breadth of utilization consonant with international criteria." (11) To the extent that the main directions of cooperation among the member countries, as established in the Complex Program, determine the content and dynamism of international scientific-technological cooperation, consequences arise for the further working out of the various countries' structural policies.

4. The working out and realization of a coordinated scientific-technological policy ultimately result from the necessity of ensuring further concrete measures for the strengthening of our technical, raw materials and economic independence and invulnerability vis-a-vis imperialism. It is imperative to achieve a large extent of harmonization in the purchase and sale of technologies, licenses and "know how" so that no obstacles may arise to the reciprocal deepening of the division of labor. In this meaning, CEMA coordinated scientific-technological policy must prove to be an effective tool against discrimination and the differentiated treatment of individual member countries by the capitalist countries.

5. The working out and realization of a coordinated scientific-technological policy also mainly result from the present high standard of interlinking of scientific-technological potentials and reproduction processes as such. The growing shares of specialization and cooperation in the reciprocal exchange of commodities, increased responsibility for the modernization and rationalization of machinery earlier supplied, the increasing reconstruction of existing production sections and changes in the reproduction structure of investments thus expand the material conditions and bases for the stronger interlinking of scientific-technological potentials. The extent of foreign trade links means that users of many innovations range well beyond the individual national economies, to one or more other countries. It follows that new challenges arise to the rapid adjustment to user needs. This immediately pre-supposes a greater extent of harmonization with regard to scientific-technological policies. Taking these requirements into account, we arrive at the following definition:

Harmonized scientific-technological policy represents a system of collectively elaborated objectives and directions of scientific-technological progress with vital importance for the intensification of the various national economies as well as for the economic and scientific-technological development of the CEMA

community as a whole. Coordinated scientific-technological policy is oriented to the definition of measures and methods for the efficient creation and broad economic utilization of scientific-technological results on the basis of socialist international specialization.

Taking this definition as a starting point, we discern the following substantive components:

- The selection of the objectives and main directions of scientific-technological development as well as of scientific-technological cooperation. For a long time these will mark the standard of efficiency in key industries with particular attention to the developmental situation in the various countries as well as the feasible concentration of forces for joint solutions;
- Coordinated measures for the creation and utilization of new equipment and technologies in realization of the five main directions;
- The required harmonization of the scientific-technological potentials of the interested countries, including the scientific-technological infrastructures;
- Coordination of the CEMA countries' export and import policies with regard to the questions of the exchange of scientific-technological results with third countries;
- The working out of measures aiming at the adjustment of scientific-technological standards, in particular in relations with the non-European member countries;
- The close coordination of scientific-technological cooperation on a multilateral as well as a bilateral basis;
- The working out of measures for the perfection of the economic and legal bases of scientific-technological cooperation as well as the improvement of the efficiency of existing or the development of such methods of scientific-technological cooperation as will guarantee closer links between science and production in the process of integration.

The complexity of the application of the coordinated scientific-technological policy arises from the fact that it largely depends on the availability of the appropriate resources, the organization of treaties and agreements on scientific and production cooperation for the creation and the spread of new technologies, the availability and coordination of investments, cooperation in standardization and unification, the coordination of reciprocal deliveries of finished products, components and subassemblies as well as the exchange of scientific-technological results. The accomplishment of the tasks arising from the implementation of the Complex Program require the skilled efforts of

the central management and planning organs in close collaboration with the combines. In the following we will deal in greater detail with the key issues of scientific-technological cooperation arising therefrom for the combines.

Key Issues of Scientific-Technological Cooperation in Combines

The combines have available decisive potentials in science, technology and rationalization. Some 90 percent of the research potential of centrally managed industry are concentrated in them. GDR combines enjoy all rich potential of centrally managed industry are concentrated in them. GDR combines enjoy all the greatest possible efficiency.(12)

The Complex Program of Scientific-Technological Progress aims at achieving top standards on the entire front of scientific-technological advances. This presumes that the various countries should select those problems and tasks from the wide range of tasks that they are best able to accomplish in view of their situation, resources and experiences. The international rate of development of the productive forces represents the most incorruptible criterion in this context.(13)

In many combines, specially those of the metal processing and chemical industries, this process is reflected in the fact that their production profile (including the research profile) has been specialized and concentrated on specific product groups and types. Ship construction and rail vehicle construction, textile machine and machine tool construction as well as many other industries have concentrated their potential on specific product lines. The finished products of these combines are largely exported to the CEMA member countries. Other products of these industries, for their part, are imported from the USSR or the other member countries.

Studies have shown that the present scientific-technological cooperation of combines is primarily concentrated on 4 key issues (and will continue to be so concentrated):

1. Coordinating with the main user the scientific-technological conception and parameters;
2. Research cooperation in the case of basic technologies and complex technical systems;
3. The exchange of intangible services;
4. Cooperation within CEMA in the field of standardization.

On the Concentration of Research by International Coordination of Scientific-Technological Development

Coordination and harmonization enable us to concentrate research and production on a range of production that is fairly certain to be salable, provided quality and price meet the coordinated terms and the development trends occurring worldwide.

It has been found useful to coordinate the following with the main customer of the products:

- The basic trends of the development of the scientific-technological and economic standard of the respective product group consonant with long-range processes;
- Fundamental goals and tasks of the research topic even before their inclusion in the plan science and technology;
- Discussion of the project before transfer to production.

These are usually objects of great economic import for the producer as well as the user (importer). Combines must be fairly certain that previous services with respect to research, technology and investments will pay off. If that is not the case, acceptance of the objects for research and production is not efficient. However, profitability can often not be achieved by sales on the domestic market alone. The coordination and harmonization of research tasks are typical in traditional fields (such as ship construction, rail vehicle construction, TAKRAF [transportation equipment, conveying equipment and cranes]) as well as in new and modern fields of cooperation (such as special equipment for optical electronics).

Alongside the acceleration of scientific-technological advances, the further deepening of scientific-technological cooperation in the form of the coordination of scientific-technological development turns into an objective requirement in the above mentioned industries as well as in new fields. The reorganization of production in accordance with the international development trends of the productive forces represents a constant need. Many combines are able increasingly to carry out the appropriate changes only if the main scientific-technological parameters and the economic effects of the renewal are harmonized with the main partner (usually the USSR), in other words if the renewal processes are coordinated.

At the present time, the ship construction industry is consulting with the USSR on conceptions for the ships of the 1990's. Essential coordinating discussions are carried out even before a research topic on the development of a ship is considered. In international cooperation, too, the conceptual phase of research therefore increasingly represents a task to be jointly accomplished by the producer and the customer. Before transferring the scientific-technological result to production, the project is also once more reviewed by experts of the future producer and the main customers. In the case of the Mukran-Klaipeda rail ferry, for example, users and customers in the GDR and the USSR are involved. Of course this is an example of specially intensive collaboration in the phase of the conception and transfer of the new product to production, but these processes are gaining greater importance in all highly specialized, export and research intensive production sectors.

All participants derive the greatest possible profit from the full utilization of the coordination of research cooperation accompanied by observance of the partners' economic interests. Such utilization may therefore also be the basis of far reaching cooperation in production. In so far the coordination of

largely decided by the nature of the specific cooperation. In this context we define international scientific-technological cooperation as collaboration in the field of research by economic units or research institutions of two or more countries in basic research, applied research, development, design and standardization as well as the coordination of scientific-technological parameters between producers and customers, the common use of laboratory and testing facilities. The purchase and sale of intangible performances also represent facets of the international scientific-technological division of labor.(14)

Research Concentration by Research Cooperation for the Creation of New Basic Technologies and Complex Technical Systems

Research cooperation by the CEMA member countries is usually oriented to new directions of scientific-technological progress. It has been proven a decisive process of international scientific-technological cooperation precisely in the preparation and implementation of innovation processes, in particular for top standard technologies. Research cooperation has been useful whenever a country would not be able on its own to independently, speedily and efficiently handle complex scientific-technological problems. This is due to the increasing research intensity in all sectors of production and the complexity of the tasks to be accomplished. Examples are the programs for space research, the creation of the scientific bases and the material-technical foundation for nuclear equipment, the ESER [uniform data processing system], the agreements on microelectronics and robot equipment, and so on. It is the rule for several interested countries to participate in such projects. The complexity of the tasks in science and technology and their application in production are characterized by:

- The combined operation of many fields of knowledge as, for instance, in joint space research (physics, cosmic materials study, meteorology, biology, medicine and technical sciences such as communications technology, and others);
- The combined operation of many different producers and researchers for the accomplishment of a task. In microelectronics, for example, researchers and producers of the basic materials industry, appliance engineering, electronics and the chemical industry need to be oriented to the development of the production of microelectronic components. The network of cooperation partners is widened by the necessary involvement of the users as early as the research process.

Consequences arise therefrom with regard to the management of these processes. In the case of complex integration measures, involving various ministries and combines, it has been found useful to assign to an economy managing organ or a combine the responsibility for coordination in the GDR and vis-a-vis the foreign contract partner. In the GDR a combine is usually assigned this responsibility.

In our experience it has normally been necessary to create the following prerequisites for efficient cooperation at a contractual basis:

- The common definition of the economic and scientific-technological goals and tasks for the scientific-technological problem to be solved either bilaterally or multilaterally;
- The division and delimitation of tasks between the partners involved for the accomplishment of the total task. This applies to the material, financial requirements and time schedules and conditions for the realization of the task;
- Joint discussions at every stage as well as tests of interim and final results;
- The establishment of the conditions for the transfer of scientific-technological results to production and their best possible economic utilization;
- Safeguarding reciprocal deliveries and coordinated and cooperative presence on third markets.

These tasks can be accomplished only as parts of the plans science and technology, investments, production and sales of the economic unit and as management tasks of the manager and his collective. The most difficult management problem is that of in good time organizing research cooperation and also in good time pinpointing the fields where cooperation is necessary and feasible in the interest of mutual benefit, the interest of the best possible business management.

Innovation Processes and CEMA Standardization in the Combines

Multilateral and bilateral coordination of standards is gaining increasing importance with regard to both commodity exports and imports, the reconstruction and modernization of enterprises and efficient cooperation in research as such. The uniformity of the meaning of technical terms, the standardized use of symbols and formulas as well as standardized measurements, measuring methods and measuring aids, materials, and so on, represent an essential precondition for mutual understanding in the process of research. The multifarious international interlinking achieved by the division of labor increasingly requires not only the harmonization of the technical parameters of finished products but also that of subassemblies and components. The interchangeability of components and subassemblies is extremely important especially for the efficient conduct of repairs for the safety and operational capacity of plants.

With respect to the reconstruction of enterprises in the USSR consumer goods industry, the delivery of representative standards and models for the footwear industry and the clothing industry represents an essential element of the total contract. Important for the efficiency of these projects are, among others, standardized shoe (and clothing) sizes. If sizes and measurements differ, adjustment plans are needed, and these involve additional costs for the planner.

Standardization generally as well as the standardization of working and fire safety conditions assume increasing importance in research and production cooperation. By achieving uniformity of standards, it has been possible to completely abolish retooling and retrofitting costs in the production of domestic electrical appliances. It is particularly important in the case of modern technologies for uniform standards to be agreed right at the start and subsequent adjustments avoided thereby.

Consonant with these requirements, the multilateral agreements on the development and use of robot and microprocessor equipment specially emphasize the standardization of scientific-technological conditions and conceptions.

The need for the multilateral uniformity of standards is rising in response to the conditions of the extensive application of scientific-technological advances within the framework of CEMA.

Our interest in standardization is clearly determined by the extent of international interlinking, the quantitative level of the imports and exports of the partners involved. This does not necessarily directly apply to the respective export product. Though combines such as ORSTA Hydraulics export relatively little, they are vitally interested in the standardization of finished products in CEMA, because the salability of products that include hydraulic components largely depends on the standardization and general exchangeability of the hydraulic components and subassemblies. This is a general tendency applicable also to other components and subassemblies.

To improve the efficiency of CEMA standardization it will be necessary especially for the combines and foreign trade enterprises in contracts and efficiency documentations of international specialization and cooperation of production and scientific-technological cooperation to define the tasks and take into account the results of international standardization. Standardization must be included right at the beginning in the tasks to be accomplished by research cooperation. This applies especially to new solutions. Standardization tasks must also be attended to when specialization and cooperation agreements or foreign trade contracts are concluded. In view of the rapidity of scientific-technological progress, we must flexibly respond to the respective changes in parameters in the course of research cooperation, so that the highest possible standard may be achieved at the time the research results are transferred to production.

Exports of Intangible Services--Development Trend of International Scientific-Technological Cooperation

New opportunities for research cooperation largely arise from new directions of scientific-technological advances, such as microelectronics, robot equipment and biotechnology. At the same time, some specific topics of research cooperation move to the fore. These new directions also affect the modernization and renewal of the existing production potential. The standard of the development of specialization and cooperation in various sectors of the economy within the framework of CEMA, natural and historical conditions in the respective member countries and also in all sectors of the economy, the

sheer speed of development of the renewal processes focus attention on the exchange of intangible services as productive performances. Key technologies such as modern information technology increasingly permeate the entire reproduction process of a combine. They permit the rational preparation and realization of research, production and sales. Often it is therefore concluded that, due to the great flexibility of the equipment, any quantity may be efficiently produced and that, consequently, the international division of labor is no longer needed.

In fact, flexible automation as opposed to single purpose automation enables us to better respond to changed and differentiated customer wishes. Still, the problem remains that the socially required cost of a commodity is less and less determined by its manufacture as such. The costs of prior services achieve dominant importance for total costs precisely by the use of these modern technologies. Nonrecurrent or first time costs are very high with respect to the introduction of such modern technical and technological systems. They are recouped quickly only if the programs have multiple applications and a certain production volume is achieved. The specialization of research and, consequently, the exchange of such programs and other scientific-technological results thus becomes an essential objective of the division of labor. Moreover, some effects such as a low labor/production ratio occur only when large quantities are involved. The introduction of this modern equipment therefore does not replace the international division of labor, merely changes its substance and assumes more varied aspects. In this connection, exports of intangible services in the form of software gain outstanding importance.

Almost all machine construction combines nowadays export software while, in 1978 for example, the Robotron Combine was the only such exporter. Other sectors also, such as the combines of the chemical industry and agricultural institutes are now exporting software.

Software is not the only intangible service to be exported. As the result of the modernization of the existing potential as part of comprehensive intensification, exports of intangible services as scientific-technological results, planning and design services become a typical feature. Plant exports also involve the export of know-how--in other words, modern technologies, training and further educational services and methods of labor organization. If they follow the trend of scientific-technological advances at all, former plant suppliers are usually interested in the reconstruction of the existing potential. The GDR, for instance, will supply to the USSR M2.2 billions' worth of rolling mill equipment for the reconstruction and construction of metallurgical enterprises in 1986-1990.(15) In part this equipment will go to factories constructed by the GDR in the USSR in the 1950's and 1960's.

The USSR also utilizes the experiences gained in the GDR and other CEMA member countries with regard to the reconstruction and modernization of the light and food industries, in conjunction with the equipment supplied by the respective machine construction enterprises.

Intangible services are also traded as independent merchandise, independent of plants (license procurement, license sales, contract research). As a result

of this trend in international cooperation, more and more sectors of the economy are involved in the process of the international division of labor, that used to be almost totally absent in the field of scientific-technological cooperation. Examples are the combines of the light and food industries (textile, clothing, footwear factories, mills, bakeries, and others). Some combines with previous experience in the field of the export of intangible services concentrate their management operation in particular on:

- Orienting their research collectives right from the start to the possibilities for multiple and extensive utilization as well as to the international exchange of their scientific-technological results;
- Expanding their design and planning capacities or organize them more efficiently by modern equipment;
- Devote greater attention to software;
- Improve commercial efforts in this field.

Innovation processes increasingly determine the structural changes in scientific-technological cooperation. It is therefore imperative also to review the economic criteria to be used for assessing the efficiency of scientific-technological cooperation.

The Criteria for the Appraisal of the Efficiency of Scientific-Technological Cooperation

Upon the transition to the intensive type of reproduction, it will be necessary to also apply the criteria for the economic appraisal of innovation processes to the preparation and realization of measures for international scientific-technological cooperation also.

Such criteria are:

- Costs, prices, labor productivity and a scientific-technological standard conforming to world standards;
- The greatest possible rate of renewal and appearance on the market at the most favorable possible time;
- The highest possible earnings, especially on export markets, by the best possible quality, demand appropriateness in large quantities, the lowest possible costs;
- The economic utilization of new scientific-technological findings. For the combines this involves the need to uniformly and as per plan manage development, production and sales;
- The highest possible scientific standard of technological work as the foundation of the greatest possible efficiency of the reproduction process;

- The conformity of objectives with the cost reductions actually achieved and with the rise in net output.(16)

Greater profitability is the decisive general economic criterion for the efficiency of any international scientific-technological cooperation.

Starting from the above mentioned yardsticks, this general criterion may be concretely defined as follows:

International scientific-technological cooperation is efficient if

- These economic criteria cannot be met without international scientific-technological cooperation;
- These criteria may be exceeded by means of international scientific-technical cooperation.

Earlier in this article we indicated the differentiated objective of scientific-technological cooperation. Also arising therefrom is the necessity of some differentiation in the appraisal and calculation of efficiency.

In the following we will describe some significant economic effects of the key issues of scientific-technological cooperation described.

The economic effects of a scientific-technological development coordinated between researcher, producer and customer consists above all in the relatively high degree of security of the research orientation adopted for the renewal of the production range and the sale of the new products. It is hard to quantify these economic effects. Often the operating results of the entire enterprises depend on them if the degree of specialization is already high and the prior research and investment services costly. These benefits of the socialist division of labor are often not evident to the workers, nor are they directly reflected in the balance sheets and economic accounting. In fact, though, they represent the crucial precondition for the proper management of the reproduction process.

Cooperative and concentrated collaboration (research cooperation) for handling the main directions of scientific-technological progress is increasingly the main trend of international scientific-technological cooperation for the creation of prior scientific-technological services. It is the special feature of this research cooperation that a hitherto unknown research result is to issue from the combination of efforts and resources. At the time the assignment is made, both the research result and research costs are relatively vague. Nevertheless, it is imperative to assess the probable research result and estimate the probable research costs. This assessment also needs to be based on the socially required labor costs in relation to the use value of the research result. The final determination of the price, value and use value must await the accomplishment of the task. By contrast to research cooperation with regard to the solution of an outstanding problem, exports of intangible services and products involve existing and tested results of human labor. Research cooperation is efficient if

- It is possible with the efforts and resources available to achieve a more favorable result that may be used in production;
- It is possible to achieve a specific research result at lower cost than would be involved if the scientific-technological task had to be accomplished by the internal research potential alone;
- A new technology or new product can be transferred earlier so as to reach the market at the right time or earlier.

The efficiency of CEMA standardization must be considered in conjunction with specialization and cooperation in research and production. It is an essential prerequisite for the comprehensive efficiency of research and production cooperation. The efficiency of standardization is ultimately reflected in the efficiency of production and research cooperation, the efficiency of the export and import of commodities and intangible services.

CEMA standardization provides the following prerequisites for the efficient organization of specialized relations:

- A higher scientific-technological standard of products upon orientation to optimum international technical values;
- Materials and energy conservation, quality and reliability improvements by common orientation to optimum international technical values and the fixing of the corresponding quality standards;
- Less retooling and retrofitting (signifying lower costs), greater ease of repair and servicing by the greater exchangeability of components and subassemblies;
- Narrowing the range of assortments and increasing series volumes;
- The greater efficiency of testing and checking;
- Easing product approval and reducing the period of testing.

The efficiency of the purchase and sale of intangible services may largely be ascertained as per the efficiency calculation for commodity exports and imports. The domestic price and export earnings are contrasted--in other words the domestic costs socially agreed in the GDR for the respective research performance is contrasted with the export earnings. In the case of imports, we must examine whether import costs are higher or lower than research costs for solving the problem at home. Exports of intangible services may be very efficient, because

- From the aspect of foreign exchange earnings obtainable, complicated work is more valuable than simple work;
- Such exports require no or little materials;

- Freight costs are minor;
- The exportability of plant, equipment and devices is improved;
- Existing research results may be used multiply and comprehensively.

Normally imports of intangible services must produce the same economic effects as research cooperation. This is expressed in shorter development periods and cost reductions. At the same time these results may more quickly become production effective than if they had to be made available solely by the own research potential.

Also to be indicated are the following aspects that, in connection with innovation processes, require a significantly greater economy of scientific-technological cooperation:

- In connection with the preparation and implementation of innovation processes it is not only imperative for as many tasks as possible to be achieved jointly or by the division of labor; it is equally decisive whether the best qualitative solutions are achieved in the briefest delay and suitable for introducing to production on the largest possible scale. We therefore need the realistic assessment of the services provided and the shares achieved in the total result. This will encourage economic interestedness in cooperation.
- Scientific-technical and technological solutions as the result of scientific-technological cooperation are designed to develop large efficiency potentials (resource conservation, quality improvement). Social needs for scientific-technological results in connection with the social definition of their value thereby objectively become the focal point of the economic valuation and calculation of the efficiency of international scientific-technological cooperation.

FOOTNOTES

1. See "Another Step in the Deepening of Cooperation in CEMA," joint comment by the SED CC Politburo and the GDR Council of Ministers on the results of the 41st (Extraordinary) CEMA Meeting in Moscow, NEUES DEUTSCHLAND, 23 December 1985, p 1.
2. See, for example, Y.S.Shiryayev, "World Economy: New Technological and Socioeconomic Development Factors," Nauka Publishing House, Moscow 1984, in Russian; "Socialist Economic Integration in the Conditions of Comprehensive Intensification" (dissertations), WIRTSCHAFTSWISSENSCHAFT No 1/1985, pp 1ff; J.F.Kornov, "Cooperation by the CEMA Countries and the Production Structure," VOPROSY EKONOMIKI, No 10/1985, in Russian; K.Morgenstern, "Perfection of the Production and Export Structure in the GDR and Socialist International Division of Labor in the Conditions of Intensification," WIRTSCHAFTSWISSENSCHAFT No 11/1985, pp 1625ff; G.Proft, "Further Deepening of GDR-USSR Cooperation in the Modernization and Automation of Key Industries in the National Economy,"

3. H.Koziolek provided a significant contribution to the theory of innovation processes by his book "Wissenschaft, Technik und Reproduktion" [Science, Technology and Reproduction], Verlag DIE WIRTSCHAFT, Berlin 1981. The authors also refer to the works by H.Nick, K.Steinitz, H.D.Haustein, W.Marschall, E.Prager, H.Kusicka and F.Haberland.
4. "Aus dem Bericht des Politburos an die 11.Tagung des Zentralkomitees der SED, Berichterstatter: W.Jarowsky" [From the Politburo Report to the 11th SED CC Plenum, Reporter: W.Jarowsky], Dietz Verlag, Berlin 1985, p 48.
5. G. Mittag, "Preparing the Eleventh SED Congress by the Best Possible Performances," in "Seminar des Zentralkomitees der SED mit den Generaldirektoren und den Parteiorganisatoren des Zentralkomitees am 7 Maerz 1985 in Leipzig" [SED CC Seminar with the General Directors and Party Organizers of the Central Committee on 7 March 1985 in Leipzig], Dietz Verlag, Berlin 1985, pp 33f.
6. K.Marx/F.Engels, "The German Ideology," K.Marx/F.Engels, Collected Works, Dietz Verlag, Berlin 1956ff, Vol 3, pp 21f.
7. See "Every Second Machine Goes to Customers in the Soviet Union," NEUES DEUTSCHLAND, 23 September 1985, p 3.
8. See G. Marchuk, "New Technologies Speed Scientific-Technological Advances," PRESSE DER SOWIJETUNION, No 11/1985, pp 37ff.
9. "10.Tagung des Zentralkomitees der SED, E. Honecker, 'Zur Vorbereitung des XI.Parteitages der SED'" [10th SED CC Plenum, E. Honecker, "On the Preparation of the Eleventh SED Congress"], Dietz Verlag, Berlin 1985, p 32.
10. To be mentioned, among others, are the joint creation and utilization of equipment, the development of methodical-diagnostic centers, reciprocal materials supplies on the basis of contracts, the exchange of research personnel.
11. K.Steinitz, "Intensively Expanded Reproduction and the Development of the Production Structure," WIRTSCHAFTSWISSENSCHAFT, No 8/1985, pp 1123.
12. See "Oekonomische Strategie der Partei - Klares Konzept fuer Weiteres Wachstum" [The Party's Economic Strategy - A Clear Concept for Further Growth], Dietz Verlag, Berlin 1983, p 38.
13. See "Tenth SED CC Plenum...", as before, p) 31.
14. We thereby give a wider interpretation to the object of scientific-technological cooperation than the books "Soziallistische

Aussenwirtschaft" [Socialist Foreign Trade], Verlag DIE WIRTSCHAFT, Berlin 1984, p 216 and "RGW-Lexikon" [CEMA Dictionary], VEB Bibliographisches Institut, Leipzig 1981, p 261.

15. See "New Step Toward the Deepening of GDR-USSR Cooperation in the Period 1986-1990," NEUES DEUTSCHLAND, 1 November 1985, p 6.
16. See G. Mittag, "Preparing the Eleventh SED Congress...", as before, pp 36f.

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ECONOMY

CZECHOSLOVAKIA

ENGINEERING, METALLURGY PRODUCT EXPORTS EVALUATED

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[Article by Jana Spilkova: "On Efficiency of Czechoslovak Exports of Products of Engineering, Electrical and Metallurgical Industries--Intensiveness Criterion of Selected Production Factors Based on Assessments of Inter-Sector Relations in 1977 and 1982"]

[Text] Foreign economic relations are an important factor of a dynamic growth of Czechoslovak economy. Our active participation in international division of labor by means of foreign trade both within the integrated configuration of the CEMA countries and on a worldwide scale is one of the factors determining the intensification of efficiency of Czechoslovak economic operations and exerting positive effects on the dynamism of our economic growth.

This paper evaluates the efficiency of Czechoslovak exports of products manufactured by the metallurgical-engineering complex, i.e., by the branches of the engineering, electrical engineering, and metalworking industries and of ferrous and nonferrous metallurgy; efficiency is the key factor of Czechoslovak economic integration in international division of labor in view of comprehensive demands that the production of the metallurgical-engineering complex be balanced in terms of selected production factors (capital assets, workforce, selected raw materials and supplies, including electric and thermal power, crude oil, solid fuels, ferrous and nonferrous metals) on the basis of data from assessments of inter-sector relations (AISR).

The system of "lucrative" sectors of the metallurgical-engineering complex in terms of the selected efficiency criteria stemming from analyses was created on the basis of indicators derived from AISR; it serves only as an initial groundwork for potential conceptual considerations of the integration of the Czechoslovak metallurgical-engineering complex in international division of labor, which must be corrected according to the "profitability" or "unprofitability" of specific foreign trade ventures and according to long-range objectives and plans of our trade policy.

1. Development of the Position of the Metallurgical-Engineering Complex in CSSR National Economy and in International Division of Labor in 1973, 1977, and 1982.

The position of the CSSR metallurgical-engineering complex as a whole remains relatively stable with regard to its share in the creation and consumption of national economic resources and its integration in international division of labor; nevertheless, certain significant and noteworthy trends appeared in the structure of the branches of the metallurgical-engineering complex in 1973, 1977, and 1982, namely:

--In terms of the shares of individual branches in total asset formation in our national economy, no substantive shifts have taken place in asset formation of the metallurgical-engineering complex, or as the case may be, the share of the engineering, electrical engineering and metalworking industries in asset formation of the metallurgical-engineering complex demonstrated no increase in the years under study; by the same token, the absolute volume of assets in nonferrous and ferrous metallurgy increased more rapidly than the absolute volume of assets of the engineering, electrical engineering and metalworking industries; in 1977 and 1982, when the absolute volume of imports of engineering products stagnated, the increment of assets in the engineering branches was covered exclusively with our domestic production;

--There has been an unambiguous trend toward increasing the share of production consumption and of exports in the consumption of production assets in the branches of engineering, electrical engineering and metalworking, which was to the detriment of nonproduction consumption and investments;

--In the years under study the share of imports of engineering, electrical and metallurgical products in the total volume of imports in foreign trade declined; the share of exports of the metallurgical-engineering complex in the total volume of Czechoslovak exports declined mainly due to the declining share of exports of the branches of ferrous metallurgy in 1977 and 1982, while all through the same period the rates of growth of the volume of exports in individual branches of the metallurgical-engineering complex remained below the rate of growth of total Czechoslovak exports;

--The stagnation of the volume of imported engineering products in 1977 and 1982 considerably affected the decline in the balance of Czechoslovak foreign trade.

The following conclusions may be deduced from the analysis of the structure and extent to which our metallurgical-engineering complex has been integrated in branch subdivisions in international division of labor in 1977 and 1982:

--The development of the volume of exports of individual branch subdivisions of the metallurgical-engineering complex corresponded with the sub-branch structure of exports, or as the case may be, it resulted in the concentration of exports of products of the current most important export subdivisions, above all, of machine engineering;

--The structure of exports of the metallurgical-engineering complex is the most significant factor affecting the efficiency of that complex; despite the basically positive trends reflected in the growing volume of exports of the subdivisions with above-average net foreign currency returns, trends toward inertia also continue to affect the growth of the volume of exports of subdivisions with conspicuous below-average net foreign exchange returns;

--From a comparison of the development of the structure of exports, imports, the balance of foreign trade in individual subdivisions of the metallurgical-engineering complex and of the indicators of export and import concentration, one may conclude that in the years under study specialization of integration of our metallurgical-engineering complex in international division of labor has not been enforced vigorously enough, particularly in the branches of ferrous metallurgy and in engineering;

--In 1977 and 1982 the changes in the subdivision structure of exports of the metallurgical-engineering complex failed to affect fundamentally the comprehensive consumption of exports in terms of workforce and capital assets; they led to a slight increase in the requirements of the number of workforce;

--There was no clear-cut correlation (analogically as in the export structure) between the development of the extent of export openness (measured by the share of exports in production) and the earned net foreign-exchange returns in individual subdivisions;

--The growth of the extent of export openness in the metallurgical-engineering complex as a whole (including machine engineering) progressed less rapidly than the extent of export openness of Czechoslovak national economy as a whole;

--The growth of the extent of export openness in machine engineering, electrical engineering and metalworking industries, which represent the key factor in the integration of our metallurgical-engineering complex in international division of labor, was accompanied by a declining extent of export openness (measured by the share of imports in assets) in those branches.

2. Export Efficiency of Products of Individual Sectors of the Metallurgical-Engineering Complex From the Viewpoint of the Development of the Export Structure in 1977 and 1982, and the Intensiveness of Balanced Production in Selected Production Factors in 1982

2.1. Sectoral Structure of Exported Products Manufactured by the Metallurgical-Engineering Complex in Terms of Net Foreign-Exchange Profitability and of the Consumption of Selected Production Factors in Manufacture of Exported Goods

A broad assortment of exported products and a low degree of specialization were characteristic for Czechoslovak exports in 1982. The same characteristic applies also to the metallurgical-engineering complex consisting of 239 sectors, 208 of them involved in exports. By the same token, exports of 96

sectors, i.e., almost one-half of all exporting sectors of the metallurgical-engineering complex, have not reached the volume of exports in the value of Kcs 100 million in WP [wholesale prices]; in other words, they do not amount to more than 0.14 percent of total exports of the metallurgical-engineering complex. The set of these 96 sectors shares 4.59 percent of the total volume of exports of the metallurgical-engineering complex, of which 30 sectors reported below-average net foreign-exchange returns, 16 sectors average net foreign-exchange returns, and more than one-half, i.e., 50 sectors, above-average net foreign-exchange returns. Of 112 sectors which may be regarded as vital in terms of their share in the total volume of exports of the metallurgical-engineering complex (they represent 95.41 percent of the volume of exports of the metallurgical-engineering complex), 52 sectors earned less than average, 17 average, and 43 sectors above-average net foreign-exchange returns.

From the above review it follows that the structure of exports of our metallurgical-engineering complex in 1982 failed to correspond with the achieved net foreign-exchange returns. This fact is even more conspicuous if we focus on sectors with higher shares in total exports of the metallurgical-engineering complex. Of 16 sectors with volumes of exports over Kcs 1 billion in WP and a share of 46.59 percent in the total volume of exports of the metallurgical-engineering complex, 10 sectors (5 sectors of ferrous metallurgy, 4 engineering sectors, and 1 sector in the branch of electrical engineering and metalworking industry) achieved below-average net foreign-exchange returns, 1 sector (engineering) average, and 5 sectors (machine engineering) above-average net foreign-exchange returns. At the same time the share of exports of sectors with above-average net foreign-exchange returns amounted to 13.08 percent, of those with average net foreign-exchange returns to 1.68 percent, and those with below-average net foreign-exchange returns to 31.83 percent of the total volume of exports of the metallurgical-engineering complex.

In this group 5 sectors demonstrated above-average net foreign-exchange returns; among them only sector 522--Machinery and Equipment for Fiber, Textile and Garment Manufacture--increased its export volume in 1982 over 1977 more (up 80 percent) than the increase of total exports of the metallurgical-engineering complex (up 40 percent). As compared with the growth of total exports of the metallurgical-engineering complex, other sectors in this group (sector 533--Machinery and Equipment for Surface, Construction and Road Works; and sector 457--Motor and Steam Locomotives) report an average growth; sector 512--Machining Equipment, and sector 442--Truck Systems, Subsystems and Parts--reported a below-average growth. In the above-mentioned group (with volumes over Kcs 1 billion in WP) during the period under study the growth of the volume of exports was more rapid than the average growth of the export volume of the metallurgical-engineering complex in sectors 444--Passenger and Freight Automobiles, 531--Wheeled and Caterpillar Tractors, 445--Trucks, and 144--Precise Seamless Steel Pipes, with below-average net foreign-exchange returns. Other sectors (in the branch of ferrous metallurgy) reported average net foreign-exchange returns and a rather below-average growth of their volume of exports, naturally, at rates that safeguarded their important position in the structure of exports of the metallurgical-engineering complex.

Thus even the trends of the development in the volume of exports of products manufactured by sectors which represent the key factors of the specialized profile of our metallurgical-engineering complex cannot lead to the conclusion that in the years under study sectors with above-average net foreign-exchange returns gained more important positions of the structure of exports of the metallurgical-engineering complex.

In comparison with the average consumption of individual production factors in the entire Czechoslovak domestic production and of all selected production factors, the exports of the metallurgical-engineering complex may be generally characterized as less intensive in terms of capital assets, workforces, selected supplies and raw materials as well as total selected production factors. At the same time it is obvious that in 1982 the exports of the metallurgical-engineering complex focused on exports of products manufactured by sectors with higher material consumption and with a lower consumption of capital assets, particularly of workforces. The basic factor determining the intensiveness of exports of the metallurgical-engineering complex as a whole was material consumption.

From the viewpoint of the earned net foreign-exchange returns and the consumption of individual selected production factors and total selected production factors the structure of exports of the metallurgical-engineering complex in 1982 may be characterized as in the following table:

Table 1. Sectoral Structure of Exports of the Metallurgical-Engineering Complex in Terms of Net Foreign-Exchange Returns and of the Consumption of Selected Production Factors in 1982 (in percent)

(1) Z celkového počtu oborů MSK má ČDV		(5) Z celkového počtu oborů MSK má komplexní náročnost na							
		(6) VVF celkem		(7) zákl. idy		(8) pracovníky		(9) vybrané mat.	
		(10) pod 2	(11) nad 2	(10) pod 2	(11) nad 2	(10) pod 2	(11) nad 2	(10) pod 2	(11) nad 2
(2)	podprůměrnou	34,34	21,46	37,76	18,04	49,45	6,35	20,16	35,64
(3)	průměrnou	9,38	0,76	9,55	0,59	9,04	1,10	8,00	2,14
(4)	nadprůměrnou	33,16	0,90	33,33	0,73	29,91	4,15	32,53	1,53

Key:

1. Among all sectors the MEC [metallurgical-engineering complex] demonstrated net foreign-exchange returns which are
2. Below average
3. Average
4. Above average
5. Among all sectors the MEC's comprehensive intensiveness in
6. Total selected production factors
7. Capital assets
8. Workforces
9. Selected materials is
10. Above average
11. Below average

More than 55 percent of the volume exported by the metallurgical-engineering complex in 1982 were delivered by sectors with below-average net foreign-exchange returns, roughly 10 percent by sectors with average net foreign-exchange returns, and less than 35 percent of the volume exported by the metallurgical-engineering complex by branches with above-average net foreign-exchange returns. Furthermore, the table clearly shows the correlation between net foreign-exchange returns and the consumption of selected production factors. These groups of sectors achieved average and above-average net foreign-exchange returns and a higher share of the volume of exports with below-average consumption of selected production factors in question individually and in the total volume of exports of the metallurgical-engineering complex, while the branches with below-average net foreign-exchange returns have a high share of the volume of exports of branches with above-average consumption of selected production factors (except for workforces) under study and total selected production factors in the total volume of exports of the metallurgical-engineering complex.

We may thus note a relatively narrow correlation between the indicators of net foreign-exchange returns and the consumption of selected production factors, with the exception of the indicator of workforce intensiveness where this correlation not sufficiently demonstrable. If we assume that the indicator of capital assets intensiveness is very stable, then the main potential resource for increasing export efficiency of products manufactured by the metallurgical-engineering complex is hidden in lower material intensiveness of those products.

2.2. Review of "Lucrative" Branches of the Czechoslovak Metallurgical-Engineering Complex Based on Selective Criteria of Efficiency

When preparing the system of "lucrative" branches in terms of exports of the Czechoslovak metallurgical-engineering complex based on inter-sectoral data for 1977 and 1982, we proceeded from the following criteria:

- a) The share of exports of the branch's products in total volume of exports of the metallurgical-engineering complex, and the development of that share;
- b) The earned value of net foreign-exchange returns;
- c) Comprehensive consumption of selected production factors in the manufacture of products.

By concretization of the above criteria we produced a set of 41 lucrative branches whose share in the total volume of exports of the metallurgical-engineering complex in 1982 amounted to 31.37 percent; they are presented in Table 2. The set consists of branches with volumes of exports over Kcs 100 million in WP (i.e., with a share higher than 0.14 percent in the total volume of exports of the metallurgical-engineering complex), with earned net foreign-exchange returns above Kcs 1,000 in FOB prices and with below-average comprehensive consumption (as compared with the Czechoslovak national economic average) of total selected production factors.

Table 2. Selected Branches of the Metallurgical-Engineering Complex With the Highest Share in the Total Volume of Exports of the MEC. With Above-Average Net Foreign-Exchange Returns, and With Below-Average Comprehensive Consumption of Total Selected Production Factors in 1982

(1) Kód výrobku	(2) Název výrobku	(3) Výrobek	(4) Listá devizová výnosnost speciu celice		(5) Vstah počtu celice podle jednotl. výpr. vyráběných faktorů a celkového odhadu celice počtu		(6) Celkové vstah počtu podle všech vyráběných faktorů	(7) Podíl na celkové výpraze výpr. vyráběných faktorů		(8) Index výpraze výpraze vyráběných faktorů 1982/1977
			(4a) náklad	(4b) počet	(5a) celice	(5b) výpr.		(7a) %	(7b) %	
15	Strojby a stroje (14)	Strojby a stroje (14)	1007	35	-	-	296	0,16	41	70
16	Strojby a stroje (15)	Strojby a stroje (15)	2918	1	-	-	265	0,63	18	52
17	Strojby a stroje (16)	Strojby a stroje (16)	1157	32	-	-	254	0,34	29	567
18	Strojby a stroje (17)	Strojby a stroje (17)	1006	40	-	-	251	0,32	9	144
19	Strojby a stroje (18)	Strojby a stroje (18)	1649	3	-	-	269	0,16	40	113
20	Strojby a stroje (19)	Strojby a stroje (19)	1181	23	-	-	258	0,46	33	46
21	Strojby a stroje (20)	Strojby a stroje (20)	1218	27	-	-	254	0,31	31	116
22	Strojby a stroje (21)	Strojby a stroje (21)	1130	25	-	-	240	0,47	24	131
23	Strojby a stroje (22)	Strojby a stroje (22)	2399	3	-	-	241	0,43	25	221
24	Strojby a stroje (23)	Strojby a stroje (23)	1864	5	-	-	224	0,74	13	167
25	Strojby a stroje (24)	Strojby a stroje (24)	1156	33	-	-	241	1,05	5	179
26	Strojby a stroje (25)	Strojby a stroje (25)	1221	26	-	-	251	0,34	36	67
27	Strojby a stroje (26)	Strojby a stroje (26)	1005	41	-	-	191	1,25	6	113
28	Strojby a stroje (27)	Strojby a stroje (27)	1493	13	-	-	235	2,53	2	127
29	Strojby a stroje (28)	Strojby a stroje (28)	1327	15	-	-	279	0,52	6	108
30	Strojby a stroje (29)	Strojby a stroje (29)	2365	4	-	-	266	0,65	17	1077
31	Strojby a stroje (30)	Strojby a stroje (30)	1639	10	-	-	189	4,61	1	180
32	Strojby a stroje (31)	Strojby a stroje (31)	1628	11	-	-	233	0,17	37	263
33	Strojby a stroje (32)	Strojby a stroje (32)	1765	7	-	-	249	0,55	20	144
34	Strojby a stroje (33)	Strojby a stroje (33)	1364	15	-	-	210	0,56	19	177
35	Strojby a stroje (34)	Strojby a stroje (34)	2570	2	-	-	285	0,25	25	51
36	Strojby a stroje (35)	Strojby a stroje (35)	1211	28	-	-	152	0,66	16	46
37	Strojby a stroje (36)	Strojby a stroje (36)	1064	36	-	-	214	0,80	22	231
38	Strojby a stroje (37)	Strojby a stroje (37)	1724	8	-	-	236	0,49	23	107
39	Strojby a stroje (38)	Strojby a stroje (38)	1137	34	-	-	176	0,17	38	169
40	Strojby a stroje (39)	Strojby a stroje (39)	1772	6	-	-	233	1,84	4	119
41	Strojby a stroje (40)	Strojby a stroje (40)	1330	18	-	-	265	0,50	21	145
42	Strojby a stroje (41)	Strojby a stroje (41)	1076	37	-	-	158	1,90	3	131
43	Strojby a stroje (42)	Strojby a stroje (42)	1284	22	-	-	241	0,54	7	131
44	Strojby a stroje (43)	Strojby a stroje (43)	1049	38	-	-	154	0,14	39	111
45	Strojby a stroje (44)	Strojby a stroje (44)	1349	16	-	-	221	0,58	24	148
46	Strojby a stroje (45)	Strojby a stroje (45)	1166	31	-	-	113	0,27	26	135
47	Strojby a stroje (46)	Strojby a stroje (46)	1436	24	-	-	153	0,36	27	247
48	Strojby a stroje (47)	Strojby a stroje (47)	1302	21	-	-	159	0,64	11	56
49	Strojby a stroje (48)	Strojby a stroje (48)	1406	23	-	-	156	0,66	15	113

[Table continued on the following page]

46.1	Stroje na poměrně malý (49)	13.18	17	—	—	0	114	0.85	10	26.1
46.5	Stroje pro automatickou regulaci a řízení (50)	15.13	12	—	—	—	129	0.34	28	207
46.6	Stroje pro automatickou regulaci a řízení (51)	1.07	20	—	—	—	63	0.74	14	160
47.1	Stroje pro automatickou regulaci a řízení (52)	11.71	30	—	—	—	129	0.43	26	176
47.2	Stroje pro automatickou regulaci a řízení (53)	14.16	14	—	—	—	175	0.45	34	131
47.3	Stroje pro automatickou regulaci a řízení (54)	12.16	25	—	—	—	230	0.40	36	156

Průměry: vzhledem k tomu, že některé výrobky vykazují výrazné změny v objemu výroby, byly použity průměry za období 10 let před rokem 1982/1977.

(55) — je o více než 10 % vyšší, — je o více než 10 % nižší.

0 je shodné s referenčním obdobím, — je o více než 10 % nižší.

Key:

1. Subdivision
2. No of sector
3. Title
4. Total net foreign-exchange returns
5. Relation of the order of the sector according to individual selected production factors to general average order
6. Total average order according to all selected production factors
7. Share of exports of the sector in the volume of MEC exports
8. Change in total volume of exports of the sector 1982/1977 in percent
9. Value
10. Order
11. Capital assets
12. Workforce
13. Selected materials
14. Iron castings
15. Steam turbines
16. Gas turbines
17. Pumps
18. Capacity compressors and vacuum pumps
19. Cranes
20. Carts
21. Rolling equipment
22. Foundry machinery and equipment
23. Machinery and equipment for processing of rubber and plastics
24. Machinery and equipment for surface, construction and road works
25. Power and bucket excavators
26. Assemblies of technological equipment and repair-type assemblies
27. Machining equipment (except for woodworking)

28. Cornice brakes for metals and plastics
29. Machinery and equipment, especially for engineering and metallurgical processing
30. Machinery and equipment for fiber, textile and garment manufacture
31. Technical equipment and accessories for textile and garment industries
32. Leatherworking machinery and equipment
33. Typographic and book-binding machinery and equipment
34. Machinery and equipment for sugar plants, breweries, distilleries, etc.
35. Milk, cereal, meat, tobacco, fish, etc., processing machinery
36. Aggregates and hydraulic units
37. Spare parts for agricultural machinery, equipment and assembly units
38. Drycleaning, washing, ironing, cleaning and barbershop equipment and appliances
39. Systems, subsystems and spare parts for trucks and their modification
40. Accessories for road vehicles
41. Motor and steam locomotives (with the exception of electric locomotives)
42. Rail vehicles for passenger transportation
43. Rail vehicles for freight transportation
44. Systems and parts of passenger automobiles and their special-purpose modification
45. Electronic measuring instruments and electronic microscopes
46. Scientific and laboratory instruments and vacuum equipment
47. Medical technology, including instruments
48. Office machinery, equipment and instruments
49. Data-processing equipment
50. Automatic control equipment
51. Generating turbo-sets and electric propulsion systems
52. Semiconductor units
53. Construction units for electronic industry
54. Hunting and sports arms and special-purpose firearms
55. Note: The relation of the order of the sector according to individual selected production factors is designated as follows:

++ if the order according to the selected production factor is more than 10 percent higher than the total average order;
+ slightly less than 10 percent higher;

0

- slightly less than 10 percent lower;
-- slightly more than 10 percent lower.

A characteristic feature of the established set is that it does not include total exports of ferrous metallurgy which share 19.70 percent in total volume of exports of the metallurgical-engineering complex in 1982, with the exception of sector 161--Iron Castings--whose share in the total volume of exports of the metallurgical-engineering complex as well as the value of net foreign-exchange returns in 1982 are on the borderline of the selected criteria. In 1977 and 1982 their volume of exports was almost one-third lower. Another characteristic trait is the conspicuous absence of sectors in the branches of electrical engineering and metalworking. The set includes only three branches of electrical engineering (i.e., 372, 374, 366) which hold a share of 1.43 percent in the total volume of exports of the metallurgical-engineering complex in 1982, and one branch of metalworking industry (545). An auspicious phenomenon may be seen in the more rapid growth of the volume of exports in these sectors as compared with the average growth of the volume exported by the metallurgical-engineering complex.

The main contents of the above set consist of machinery exports. The volume of exports of the machine engineering sectors in this set amounted to 29.60 percent of the total volume of exports of the metallurgical-engineering complex in 1982; approximately one-half of the branches demonstrated in 1977 and 1982 a faster growth of the volume of exports than the average growth of the volume of exports of the metallurgical-engineering complex. The key factors of this set are the following subdivisions: 263--Manufacture of Machinery and Equipment for the Processing Industry, with 11.32 percent, and 262--Machinery and Equipment for Heavy Industry, with 6.64 percent.

From the viewpoint of comprehensive consumption of selected production factors in balanced production it applies for the selected system of 41 lucrative branches that:

- a) With regards to the selected efficiency criteria, all selected sectors are demonstrating below-average (within the framework of our national economy) consumption of total selected production factors; the consumption of capital assets in all sectors is below average, only 5 sectors report above-average consumption of workforces, and 2 sectors above-average consumption of selected supplies and raw materials;
- b) If we regard total consumption of selected production factors in individual sectors of the system as the average of their partial consumption of selected production factors under study, then the outlined specialized profile of exports of the metallurgical-engineering complex consists of exports of products with considerably below-average consumption of capital assets, with above-average consumption of workforces, and with average material consumption...

* * *

The division of exports and imports according to two basic groups of territories, i.e., the socialist and nonsocialist countries, which was applied in AISR for the first time in 1982, makes it possible to assess the metallurgical-engineering complex and the selected system of lucrative

sectors according to the marketing of their exported products in both types of markets.

In 1982 the share of total Czechoslovak exports to the NSC [nonsocialist countries] in total exports amounted to 36.4 percent, however, the share of exports of the metallurgical-engineering complex to the NSC in total exports of that complex represented 25.6 percent. At the same time exports of products of the metallurgical-engineering complex to the NSC shared 30.5 percent in total Czechoslovak exports to the NSC, of which the branches of ferrous and nonferrous metallurgy met 9.07 percent. From these data it may be concluded that the products of the metallurgical-engineering complex, particularly of machine and electrical engineering and of metalworking industries, have not been in great demand in the NSC markets.

While the share of exports of the metallurgical-engineering complex to the NSC in total exports of that complex amounted to 25.6 percent in 1982, the share of products exported by the system of lucrative sectors to the NSC in exports of the metallurgical-engineering complex to the NSC represented 19 percent and the share of products exported by the system of lucrative sectors to the NSC shared 15.5 percent of total exports of the lucrative sectors. By the same token, the share of products exported by the lucrative sectors to the NSC in total exports of the metallurgical-engineering complex amounted to 4.9 percent. These data prove that even the system of lucrative sectors has not met with significant demands of their products in NSC markets.

From the comparison of values of net foreign-exchange returns from total exports and from exports to the NSC in the system of selective lucrative sectors it follows that with tolerance up to \pm Kcs 100 in FOB prices of earned net foreign-exchange returns, 20 sectors reported a lower value of net foreign-exchange returns from their exports to the NSC than the value of their net foreign-exchange returns from total exports, 9 branches reported approximately (within the framework of selected tolerance) the same value of net foreign-exchange returns from their exports to the NSC and from total exports, and 12 branches achieved higher net foreign-exchange returns from their exports to the NSC than net foreign-exchange returns from total exports. By the same token, the first group (20 branches with lower net foreign-exchange returns from exports to the NSC than from total exports) shared 9.06 percent in total exports of the metallurgical-engineering complex, the second group 5.40 percent, and the third group 4.54 percent.

The share of products exported to NSC by the system of lucrative sectors in exports of the metallurgical-engineering complex to the NSC amounted to 19 percent and was fulfilled by products exported by 30 sectors with net foreign-exchange returns above the criterion line of net foreign-exchange returns of Kcs 1000 in FOB prices (with a share of 17.79 percent in exports of the metallurgical-engineering complex to NSC); 11 branches failed to reach this criterion line of net foreign-exchange returns (with 1.21 percent share in exports of the metallurgical-engineering complex to NSC). A distinctly lower assessment in terms of foreign exchange earned for products exported to NSC markets in comparison with the assessment of foreign exchange

for the same products exported to SC [socialist countries] was noted in the following branches of the selected system: 372--Semiconductor Elements; 374--Electronic Construction Units; 402--Office Machinery, Equipment and Instruments; 403--Data-Processing Equipment; 532--Parts for Agricultural Machinery and Equipment; 475--Carts; 427--Volume Compressors and Vacuum Pumps; 336--Aggregates and Hydraulic Units; 539--Equipment and Tools for Dry-cleaning, Washing, Ironing, Cleaning, Barbershop and Hair-dressing Establishments. On the other hand, a total of 12 sectors of the system earned from their exports to NSC higher returns in foreign exchange than from their exports to SC, especially the following branches: 527--Machinery for the Processing of Milk, Eggs, Cereals, Fodder, Flour, Meat, Fish and Tobacco and for Chocolate- and Candymaking and Food Preservation; 442--Truck Systems, Subsystems and Parts; 459--Rail Vehicles for Freight Transport; and 509--Machinery and Equipment for Rubber and Plastics Processing.

The selected system of lucrative sectors has also basically met selected criteria of profitability in terms of net foreign-exchange returns earned for exports to NSC. Hidden potential assets for higher net foreign-exchange returns for exported products of the lucrative sectors as well as for all exports of the metallurgical-engineering complex may be found above all in the change of the territorial structure of products exported by the system of sectors analyzed in this paper, and furthermore, in a higher share of products exported by lucrative sectors to the NSC in the total volume of products exported by the metallurgical-engineering complex to NSC.

Methodological Notes

In this analysis the indicator of net foreign-exchange returns, i.e., the differential indicator corrected by comprehensive imports consumed by the exported products, was regarded as the basic indicator of export efficiency. The average value of net foreign-exchange returns of total Czechoslovak exports in 1982 was 854, in other words, after adding all imports used for the production of exported goods, it was necessary to export products in the amount of Kcs 1000 in WP in order to earn Kcs 854 in FOB prices. Since the metallurgical-engineering complex is the key factor of Czechoslovak export, the value of net foreign-exchange returns in the range of Kcs 854-999 in FOB prices is regarded as average; the sectors which fail to achieve the value of Kcs 854 in FOB prices are regarded as sectors with below-average net foreign-exchange returns, and sectors with net foreign-exchange returns above Kcs 1000 in FOB prices as sectors with above-average net foreign-exchange returns.

The logic of the construction of the indicator of net foreign-exchange returns suggests that the value of net foreign-exchange returns is determined by two basic factors, namely:

--The differential indicator, calculated as the share of the foreign price earned for exported products (FOB) in domestic price (WP), currently used in Czechoslovak planning and managerial operations;

--Comprehensive consumption of imports, which characterizes the consumption in domestic production, assessed in WP of imported materials in foreign prices (FOB), by which the differential indicator is reduced.

Thus, the indicator of comprehensive consumption of imports objectifies export efficiency of our domestic production measured by the differential indicator. Therefore, the resultant indicator of net foreign-exchange returns may be regarded as an efficiency indicator, or indicator of national economic export profitability of products manufactured by individual sectors.

Next to effects stemming from the CSSR's economic integration in international division of labor, internal conditions of production also determine the amount of the value of earned net foreign-exchange returns (and thus, the efficiency of Czechoslovak exports). This is reflected in the indicator of net foreign-exchange returns by means of domestic price of the production (in WP). If we regard WP as an objective expression of the value of domestic production which includes also the value of all "inputs" necessary for that particular production, we may specify on the basis of AISR the basic important "inputs" which constitute the value of domestic production, and regard them as the principal determinators of the value of domestic production and thus, also of the efficiency of exported domestic products.

From the system of indicators of comprehensive consumption of production calculated from AISR, this paper characterizes the consumption of selected production factors in the manufacture of exported products by indicators of comprehensive capital consumption, comprehensive labor consumption, comprehensive consumption of selected supplies and raw materials, including comprehensive consumption of electric and thermal energy, of oil, solid fuels and ferrous and nonferrous metals. The effect of internal conditions of production (or consumption of selected production factors in domestic production) on the efficiency of Czechoslovak exports may then be evaluated by assessing the correlations between the structure of exports of the metallurgical-engineering complex, the consumption of selected production factors in the manufacture of exported products, and net foreign-exchange profitability of such exports.

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CSO: 2400/277

ECONOMY

POLAND

DEPUTY MINISTER SEES NEED FOR FIXED ASSETS UTILIZATION POLICY

Warsaw ZYCIE GOSPODARCZE in Polish No 23, 8 Jun 86 p 3

[Interview with Prof. Michal Hebda, deputy minister, Office of Materials and Fuel Economy, by Anna Wieczorkowska: "Forty Billion"]

[Text] [Question] You participated in the preparation of three reports on the utilization of fixed assets in Poland. The first such report was made in 1974, the second in 1983 and now the third one has come out.

[Answer] These reports were made to justify the need to introduce systems changes which would increase the efficiency of utilization of production assets, transportation and buildings.

The first report was written in 1974 on the orders of the government. In this report which was actually the synthesis of 12 problems reports, we pointed out that fixed assets are barely 60-70 percent utilized. The low level of organization and operating technology has caused very low efficiency in the use of vehicles and machinery. For example, the statistical truck in organized transportation was out of order 100 days a year. Running vehicles were unused due to poor organization 30 percent of the time and the mean value of freight transported was less than 50 percent of capacity.

According to our estimates, the degree of use of our vehicle fleet was and remains very low. In agriculture, it is only a little over 50 percent. At the same time, the use of cranes and gantries has not exceeded 20 percent. The utilization of machinery in the steel industry and marine industries has not exceeded 70 percent.

[Question] What sort of economic effects has that had?

[Answer] We have estimated that every year, 400 billion zlotys worth of vehicles and machinery are not fit for use. This is often caused by a lack of spare parts which has in turn caused in our industrial production a loss of more than 15 percent of the total value of production in our economy or about one trillion zlotys.

We have also estimated that the costs for operating vehicles, machinery and technical equipment throughout Poland has reached a level of 800 billion zlotys annually and has, in other words, considerably exceeded annual investments. At least 25 percent of these enormous operating costs are unjustifiable.

[Question] Operating costs and therefore maintenance costs...

[Answer] ...use and upkeep. Operation involves all of the organizational, economic, legal standards and technical problems in human cooperation with machinery from the moment it is produced until it breaks down. Furthermore, there are also problems connected with equipment use, repair, conservation, restoration, diagnosis and finally in supplying spare parts, fuel, oil, lubricants, etc.

With regard to the cost of "large" repairs, that was estimated (and this was repeated in the second report) as being about one-fourth of the general operating costs or more than one trillion zlotys at the present time.

We have very strongly indicated the need to manage operating fluids such as fuel, oils and lubricants and proposed measures for their more efficient use. We have also pointed out that only a small group of scientists and technicians have studied operating problems.

[Question] Among of the economic consequences of poor operation, we must also mention the constantly growing demand for spare parts.

[Answer] One of industry's worst sins has been that it produces parts by a certain value sum and does not concentrate on producing parts that last longer. If, for example, an industrial plant plans to produce two billion zlotys worth of spare parts, then it most often makes the most expensive parts in order to meet its production plan. Therefore, not knowing the the operating characteristics of its own products, the producer turns out the sort of spare parts that are better from his own point of view. At the same time, operating studies of vehicles and machinery have shown that about 20 percent of the assortment of these parts are scrapped. That demonstrates that a shortage of operations studies on produced goods as well as a lack of regard for what such studies have shown are to blame for the enormous surplus of parts. This surplus is valued into billions of zlotys of completely superfluous items stored for years and then scrapped while there is a drastic shortage of necessary parts. A second cause is the organization of industry which is oriented toward the final product rather than the production of subassemblies.

[Question] In your opinion, what are the causes for such poor operating practice and terrible waste?

[Answer] Lack of an operating policy for managing fixed assets.

[Question] What does that mean specifically?

[Answer] Our country primarily has a producer's market. Producers generally have a national monopoly. They do not have to or want to take any interest in how well their products work. That is why these products are so often mediocre, why they break down so much more often than those produced in other countries and why they do not last long enough. In comparison to world standards, our product service life is several times shorter.

We do not have a good and well-organized system for service, repair and certification of products. Our machinery is often out of order much longer than the required repair time.

We also lack well-trained and experienced operators because there is no school of higher learning in Poland ready to instruct them.

[Question] Is an engineer or efficiency-minded technician not enough?

[Answer] What is needed in an engineer, economist, technical and skilled worker. We must remember that designers, technicians and operators are all trained very differently. It is all a matter of what they know about their trade and their way of thinking. A designer should know materials, standards and the principles of design and construction as well as how machinery operates. A technician must work out a technology for what has been designed so that it will function as efficiently as possible in a manner consuming the least material and energy. An operating engineer should think about how his firm's machinery can be correctly used and therefore how it is to be serviced, maintained, organized and operated. Above all, he must have managerial skills.

[Question] But that is how any good manager thinks. If such problems occur, then is it not the fault not only of poor training but also lack of any economic incentives to work more efficiently?

[Answer] Obviously, one of the causes of poor operation is that our economic, political and social mechanisms encourage quantity, often at the expense of efficient management of assets. This means that some workers and technicians are insensitive to the abuse of their tools.

Poor product quality, poor operating documentation and producers' lack of interest in correct maintenance are the direct causes of poor operation of the vehicles, machinery and equipment they produce. But it is also a lack of good specialists. We train metal-workers three years and a combine operator is trained only three months.

[Question] If operation is so greatly neglected, then it must also have a bad effect on the quality of what we make.

[Answer] Obviously. I must say that I am not always able to convince some people in science and industry of this.

[Question] If a bad product is turned out and then it is not operate correctly, there is no way it can be improved.

[Answer] That is an important shortcoming of our economic system. The producer is not responsible for the quality or social usefulness of his final product. He sends it out the gates of his factory and then forgets it. This was one of the main points of our report. We want scientists to take a look at these problems and pointed out that the creation of diagnostic systems, the theory of machine and equipment diagnosis and the technology for restoring parts is just as important as any other science discipline. Just as important as producing one's own oils and lubricants is the ability to select the right oil for the right machine. That is a real art and one must know everything about a machine to make the right choice. If someone does not draw attention to this "stupidity", then almost all of our assets will be destroyed and our productivity will fall.

[Question] Has the new report not seen any improvement?

[Answer] Unfortunately, things are not much better than before. Our production property is still only about 60-percent utilized and the cost of operating fixed assets is estimated at about four trillion zlotys while repairs costs amount to one trillion, 38 billion zlotys.

Railroad and road transport continues to have empty cargo space and about 40 percent [illegible text] often about 30 percent of normal work time. Worker turnover has gone down 20 percent since 1980 while employment in operation services has dropped by 30 percent.

The legal system does not regulate firms' responsibility for the operation of their fixed assets. The organization and technology for reconditioning parts and recovering and using operating fluids has been largely neglected.

There continues to be a shortage of instructors in middle and higher schools that can train for the proper operation of public property. Schools and institutions also pay too little attention to solving the theoretical and practical problems in the organization and technology for utilizing services (repair, diagnosis, maintenance, reconditioning and decommissioning) and supplies (fuel, oils, power and spare parts).

The level of management has also deteriorated. Bad organization and technology in such a sensitive area as housing construction has meant that nearly a million (every tenth) dwelling cannot be repaired or can only be repaired at same cost as construction of a new dwelling. Restoration of such a high number of dwellings would tie up the country's construction industry for 5 years.

[Question] Is that information from the second report?

[Answer] Yes. The second report comprises 70 volumes of some 4800 pages. Thirty-seven of these volumes are ministry documents, 9 come from the Chief Statistical Bureau and the remainder are documents prepared by industrial and scientific sections.

The report evaluates the state of fixed assets, their utilization, repair, maintenance, diagnosis and the management of fuels and lubricants. These materials received unusually thorough preparation and we see them in an economic sense as a report on the state of the state. This is also a document that shows the causes of our economic failures. With regard to the state of operation of fixed assets in Poland whose value presently amounts to 40 trillion zlotys, I can say that in the 10 years between these two reports, the situation has not much improved.

[Question] The warnings of the first report were therefore ignored.

[Answer] As the result of a discussion of the first report, the Presidium of the Government issued its resolution number 133/75 which ordered the directors of certain ministries to work out schedules for improving their operations and the Ministry of Science, Higher Education and Technology and industrial institutes to work out a theory and innovations for the operation of vehicles and machinery. This resolution remained in force until 1980.

[Question] With what result?

[Answer] The program was not really implemented by any sector.

[Question] You previously worked as an industrial expert and now you are a vice-minister with authority.

[Answer] I feel that this is not a question of my authority. I just have more opportunities to formulate programs on legal standards, economic mechanisms, organization and technology. Above all, the political and economic leadership now fully understands the method of reasoning and management that is generally known the operations strategy of management. The Presidium of Government and PZPR Politburo's decrees on this matter have expressed full acceptance of the measures proposed by the report. I feel that the results of comprehensive development of a system of efficient operation of our assets depend chiefly on the inventiveness, knowledge and practical possibilities for influencing the economy of institutions such as the Ministry of Materials and Fuel Economy which has such a leading role in this area of economic activity.

I am obviously quite glad that I can now employ my own ideas about the organization and technology for operating our fixed assets.

[Question] How do you wish to do that?

[Answer] Through various large-scale systems for efficient operation of assets.

Along with the Ministry of Higher Education and Technology, the Ministry of Education and Upbringing and other organizations, we want to create a cohesive system of cadre education and training as well as a system of scientific research that will aid the economy with theoretical and practical ideas on reconditioning assets and operations economics and technology (utilization, maintenance and supply).

We are trying to work out a system of legal regulations and standards that will establish principles for rational utilization of fixed assets and especially production assets, to create organizational structures for service and repair within branch and regional system and to develop technological ideas about technical maintenance, conservation, repair, reconditioning of parts and diagnosis. We also intend to create efficient systems for supplying oil, fuel, lubricants, spare parts, instruments and repair tools.

[Question] As you said, the 1975 resolution did not produce any results. In itself, a law cannot be effective unless it is enforced.

[Answer] I feel that no action is without any result at all. It is true that the resolution was not properly implemented but we must remember that this was in a period of relative abundance without going into the correctness of such a policy when it was not fashionable to take care of old equipment. This was, however, a good experience for professionals. After all, we can today much better propose economic ideas for efficient operation of fixed assets.

To have an idea, you must have the right time and supporters and this idea must have an objective existence. I feel that we now have all of those because the economic conditions dictate taking better care of our assets and the state agrees because it has adopted the direction of the operations strategy and that strategy is objectively and economically justified so that there is now the proper time, supporters and the objective need for this in Poland.

[Question] Will this be implemented by administrative measures?

[Answer] Chiefly through economic measures. For example, at the present time, it has been decreed that repair and conservation work is to be regarded as net sold production. The next regulation we want to introduce is that operating resources be handled together with investment resources. This will allow firms to invest by buying new and repairing old equipment and modernize old equipment.

For the economic measures to have their desired effect, the maker of the final product must be responsible for the organizational and technical operation of

their product and they are not at this time. It is the same problem with repair and reconditioning. There must exist an industry that produces reconditioning materials and repair tools.

[Question] Will regulations, decrees and laws change this?

[Answer] No, but without them it will not be possible to proceed in accordance with law in order to prevent mediocre production.

[Question] Who will decide what is mediocre?

[Answer] The authorized institutions.

[Question] For tens of thousands of products?

[Answer] Not for the time being. It is enough if we start with construction and agricultural machinery, machine tools, vehicles and home appliances. After all, we cannot continue these economically detrimental activities where we put much more materials, energy and effort than developed countries to make products of quality much worse than the world standard. If, for example, per automobile, tractor or construction machine made in Poland we consume more materials, energy and labor than any other country and then sell them more cheaply than our foreign competitors, can we call that efficiency? This is what has done so much harm to our economy and standard of living.

[Question] Can we get out of this rut armed with no more than laws and decrees? Maybe we should talk about practical or mechanical solutions. If, for example, FSO [Passenger Automobile Factory] produces as it always has, that is because the steel it uses is the same as it has always been.

[Answer] That is why we must make our first issue one of good work, discipline and efficiency. If we are to make high-quality products, we must also have high-quality materials and components and if we do not have these, we do not have to produce garbage. After all, we have to pick one point to break the vicious circle in which quantity counts for more than quality. We have to stop producing for quantity.

To bring about more efficient operation of our production assets, we have taken measures to streamline the organizational structures for managing operation and the functioning of the operating systems in businesses. We have analyzed the state of operations documentation of fixed assets, the state of repair specialist support within different branches and regions, the availability of diagnostic equipment for repair work and programs for the cadre training at the vocational, middle and higher levels.

There has been established a program for production and operation of fixed assets and a draft of regulations for the National Social and Economic Plan and the Central Annual Plan as well as government orders for basic economic tasks that intensify the efficient operation of fixed assets. There is also a

program of scientific work aimed at assisting the growth of efficient systems for the operation of national assets.

There has also been prepared a concept for computer-aided management of systems for operating fixed assets.

Under a commission of the chairman of the Planning Commission, the principles have been developed for consolidating the proposed pro-operations measures in the system of economic reform mechanisms through legal regulations and standards as well as the organizational structures of the central government and businesses. I feel that the practical realization of this program will produce a fundamental improvement in economic efficiency.

[Question] Thank you for the conversation.

12261

CSO: 2600/545

ECONOMY

POLAND

BANK CREDIT POLICY CRITICALLY EVALUATED

Warsaw ZYCIE WAKSZAWY in Polish No 23, 8 Jun 86 p 15

[Article by Marek Misiag: "The Bank vs. the Budget"]

[Text] The economic reform requires banks to compel businesses to manage themselves more efficiently. However, a greater interest in efficiency is not the responsibility of the banks alone. From a meeting on 16 May with the chairman of the Polish National Bank, Wladyslaw Baka, I have the distinct impression that if banks do not come out more openly with their problems, they too may be responsible if the hopes placed on them are not fulfilled.

Bankers and not just bankers are presently inclined to feel that the restrictions on credit in 1983-84 were too severe. W. Baka hinted that the increased credit available to firms in 1985-86 was necessary since it limited excessive payment logjams.

However, in 1983-84 and 1985-86, costs in the economy did not go down enough to provide any financial resources. These logjams did therefore occur and everyone cried out that the banks should not limit credit. The decision was then made to liberalize credit policy. It still remains an open question whether credit can be effectively used to stimulate efficiency.

Chairman Baka warned that the business credit policy of 1985-86 will be continued on a selective basis and this should be understood as meaning that only firms with credit ability will have access to credit funds. We know what sort of difficulties are caused in trying to define this credit ability as does the chairman of the Polish National Bank. Many firms in very miserable economic shape unfortunately have a profusion of financial resources. What are banks supposed to do in such a situation? The withdrawal of credit may not be a sufficient incentive for improvement.

The source of undeserved money may be too generously allotted reductions and various types of surcharges as well as the excessive ease with which prices are raised in certain areas (such as construction services). The bank's suggestions to restrict credit to businesses also caused a defensive reaction

by founding organs who managed to win reductions or surcharges for inefficient firms. This eliminated any encouragement for more efficiency and made it possible for firms to ignore the bank's demands.

W. Baka said: "The bank will not consider the fact that a firm is trying to receive reductions but it will consistently withdraw credit from any firms that fail to improve their efficiency. The sharper requirements mean that the number of state-owned firms in which the bank has found a lack of credit ability increased from 210 at the end of last year to 310 at the end of April of this year. A program for restoring credit ability is being carried out in 127 of these firms. However, in most of them, work on such programs has still not been completed. Credit has been refused to 72 firms. In 38 firms, credit was restored once guarantees were received and commissar management was introduced.

What, however, is to be done with some large firms with endangered credit ability and which are unable to solve their problems?

There are many such firms and their founder's organs do not always put enough energy into finding their own solutions. Commissar management is sometimes used to bide time. The given firm will try to gain access to budget funds is sought without any attempt at improving efficiency and seek to erase any information the bank might obtain about it by joining some fictitious gigantic company. It is hard to find such companies because of the many existing vagueries in the financial and planning system and also because of delays in central decisions that would specify the correct principles for the functioning of particular firms.

The lack of sufficient influence over credit policy to improve efficiency is more obvious in investments, especially central investments, which are 84-percent financed from credit. Many of them do not negotiate repayment of credit. At the same time, the influx of this credit often makes possible for investors to create a galloping increase in the price of construction services.

Should the bank then not take more energetic measures to limit these credits? Business investments are barely 15-percent financed by bank credits. We will recall that part of these investments credited by banks were imposed by the beneficence of the inventory on several former central investments.

Until now, firms have preferred to use their own funds rather than those of the bank. Apparently, a company's own funds are, in spite of all other problems, more available. Obviously, low interest in credit for modernization and export trade has been caused by easy access not only to bank money but also (and above all) budget funds or money created through raising prices under a monopoly over the market.

The result of all this has been a much higher than planned growth in money and stock. The banks' opposition to this cannot be limited just to restricting

its credit policies. Is the Polish National Bank strong enough to the restrict the use of budget surcharges to firms and other institutions? Can it bring about a lessening of the amount of conferred tax reductions and deductions?

In response to this question, W. Baka said that an increase in budget debts at the end of the year would require verification of the repeating high excesses in budget expenditures over income in the first three quarters of each the year that are declining only in the fourth quarter. At the end of 1984, the budget deficit from bank credit was 128 billion zlotys while the average yearly encumbrance imposed on the credit system by the budget deficits was 194 billion zlotys in 1984.

This is certainly not an isolated problem among the firms that must use the credit policy to improve their efficiency. The bank should therefore speak out publicly to point out the chief barriers to realization of its policy in specific firms and institutions.

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STUDY EXAMINES EFFECTS OF REFORM ON ENTERPRISE ACTIVITY

Warsaw GOSPODARKA PLANOWA in Polish No 1, Jan 86 (signed to press 15 Apr 86)
pp 15 - 19

[Article by Stefan Krajewski and Mirosław Smusz: "The Functioning of Enterprises Under Economic Reform"]

[Text] I. The present study summarizes 4 years of research by a dozen-strong team of employees of the Institute for Political Economy of the University of Lodz. (Footnote 1) (The research team included H. Bartczak, A. Bugus, Z. Borowska-Kwasik, A. Fornalczyk, W. Kasperkiewicz, A. Krajewska, S. Krajewski, J. Kwasniewski, E. Malecka, M. Smusz, R. Zielinski. Research coordinator: W. Caban; scientific consultant: J. Mujzel. This research project was developed within the framework of interministerial task unit MR III 16.1.12 (on contract for the Institute of the Operation of National Economy of the SGPIS [Main School of Planning and Statistics]).)

Empirical data collected in 1982 through 1984 in about 50 chemical, engineering, foodstuffs, iron and steel, timber, mining and construction materials enterprises provided the backbone for the research. These enterprises were of varying size (workforces ranging from several hundred to about 10,000), producing both producer and consumer goods (the shares of the two kinds of production being similar) and situated in different areas of the country (Lodz-City, Kielce, Krakow, Olsztyn, Piotrkow, Plock, Radom, Wloclawek and Zielona Gora provinces).

The research has covered basic aspects of the enterprise operations, such as the autonomy of enterprises, the financial system, prices, the incentive system, personnel management, development activities, purchasing and sales, export, activities of self-government and associations (new).

Research has confirmed the hypothesis on the fundamental role of the enterprise at the initial stage of reforming the economy. However, the utility of embarking on research at the economic center and units of enterprise environment (new associations, banks, wholesale organizations) has become apparent. At the present stage of research, it was only possible to include the analysis of activities of the associations (new). In 1984 and 1985, research was carried out at 23 associations, of which 21 were of intrabranche scope (15 within the Ministry of the Chemical and Light Industry and 6 within the Ministry of Iron and Steel Engineering) and only two were interbranch.

Materials and statements collected in 1982 through 1985 suggest the following conclusions regarding selected aspects of enterprise operations under the economic reform.

1. Membership of enterprises in associations (new) is common. The way in which the associations were set up and the extent of their statutory activities have perpetuated the traditional branch nature of links among enterprises and traditional branch organization of industry.

Statements collected in enterprises mostly give a favorable evaluation to the activities of both voluntary and compulsory associations. The fact that issues of current enterprise operations are the first priority among the expected and actual functions of associations may be the decisive factor in the matter. This influences the high degree of uncertainty with regard to the external environment of enterprises, especially the short supply of the factors of production and the variability of the specific regulations on economic management.

In assisting the enterprises in protecting their interests, the associations also contribute to stabilizing extemporaneous systemic arrangements. The associations are the institutional support base for preserving the traditional system of economic operation and the allocative mode of activity of the center without resorting officially to the command management methods (i.e. the base for the compulsory-allocative methods used by the center). Essentially, those methods, also termed indirect centralization, rely on customizing the operation of economic instruments as well as the arbitrary and short-term nature of the latter. Technically, this does not infringe on the statutory autonomy of enterprises. The significance of associations in stabilizing the extemporaneous systemic arrangements owes especially to their mediation in the increasingly widespread rationing of the factors of production, oversight of the implementation of operational programs and government orders and interventions aimed at tax and write-off relief for their member enterprises. On the other hand, associations are a natural extension of the position of branch ministries, an extension left intact by the reform.

Branch associations foster monopolization of the market. However, the high degree of technical and organizational concentration of production at the enterprise level is more essential in this regard.

2. During the period of restoration of employee self-government, essential changes in their personal composition occurred, especially in large enterprises. Contacts between the self-government bodies and enterprise management are marked by a low level of conflict. The number of self-government bodies stating that they have had disputes with the management keeps decreasing. We have ascertained that the following factors were an influence:

- a) the weakening position of enterprises vis-a-vis the pressures and arguments of the external units (mainly the parent agencies),
- b) the continuing preponderance of the professional factor (enterprise management and parent agencies) over the social one (employee councils),
- c) the declining interest of workforces in the activities of self-government,
- d) the personal makeup of employee councils.

The disputes involved primarily the jurisdiction of self-government and the

issues associated with the income of the workforce. Thus, the adversarial self-government bodies have primarily defended what they considered to be their own authority and to a degree assumed a "trade-union" posture.

A low level of conflict was accompanied by the generally favorable evaluation of management by the self-government bodies as far as communicating information on enterprise activities was concerned. Due to the natural predisposition of the professional element to subordinate the social element by means of information, the favorable evaluation may show that self-government bodies are not always aware of the threat of subordination through [the restricted flow of] information.

3. In the field of planning, the autonomy of enterprises has been asserted. However, there are attempts at non-systemic (administrative) intervention in the form of requests for specific information and informal pressures through arguments and recommendations. The enterprises are apprehensive about non-systemic sanctions in case of failure to comply with these pressures and recommendations.

Short-term considerations still dominate in enterprise programs of operations; this results from the short-term nature of central planning. Final versions of annual plans are often established through successive iterations as late as the period of implementation. The planning process in enterprises is hindered by a belated receipt of information on the central plan provisions, including changes of economic instruments, as well as by a high degree of uncertainty with regard to supplies. Overly frequent changes in parameters and regulations, at times conflicting with each other, are an especially potent negative influence.

A switch to centralized regulation of the amount and mix of production through operational programs and government orders is an important step towards overcoming the traditional system. However, the favorable impact of the new instruments is still inadequate because they are approached formally. Adequate funds to make these instruments work are not ensured; the extent of bidding in order to promote efficiency is still small; benefits are small for enterprises overcoming supply difficulties and their influence on changing the mix of output is barely perceptible.

4. Supply of raw and other materials has remained the main problem for enterprises over the entire period under study. The situation in this field has not improved significantly, especially with regard to domestic sources of supply. This has been coupled with persistently spreading direct and indirect (mandatory brokerage) rationing. This widespread rationing facilitates the strengthening of brokers and producers, the creation of potentates from the units deciding the allocation of rationed assets and the weakening of market links. A majority of enterprises try to avoid the brokerage of branch sales agencies in favor of direct contacts with the purchasers.

The existence of a seller's market in the country in general makes the sales of goods produced problem-free for enterprises.

5. The "favorable" sales situation in the national market is one, though not

the most important, reason for the stabilization of output earmarked for exports at a low level in the enterprises surveyed. Difficulties of selling in foreign markets due to acute competition in pricing and low quality of products, unprofitability of exports, a difficult supply situation in the domestic market and unsatisfactory efficiency of foreign trade organizations are the basic obstacles for the growth of exports.

Incentives for exporters, though enhanced under the reform, have brought few results. The ROD [retained hard currency earnings allowance] system plays the main role; a lesser role is played by income tax relief and contributions to the PFAZ [State Fund of Professional Activization]. These incentives are geared to meeting quantitative targets rather than improving the efficiency of exports.

Connections between enterprises producing for exports and foreign markets are still inadequate. In settlements between producers and PHZs [Foreign Trade Enterprises], the share of [export] contract prices is diminishing markedly in favor of domestic market prices. The rate of return on export activities is often determined by the case-by-case rate of exchange compensation. The low efficiency of export is being gradually institutionalized and sanctioned.

6. The concentration of enterprises on the issues of current operation leads to obvious shortcomings in innovation and developmental activity. Consequential instruments exacting efficiency from enterprises in these spheres are still lacking.

The depreciation of fixed assets is growing, as well as its tangible consequences for enterprises. The increase of modernization and reproductive investment is clearly inadequate. The simultaneous occurrence of the credit barrier and the failure to use the moneys accumulated in the development fund testifies to the shortcomings of management in this field (besides, the banks force the financing of turnover assets from the development fund). The reevaluation of fixed assets has significantly changed amortization write-offs. This, however, had no impact on the financing of modernization and reproductive investment.

The lack of pressure on innovation coming from the enterprise environment combined with numerous per... difficulties (materials, hard currency, finance, personnel) meant a... reduction of the ranking of innovation and degradation of the R & D facilities in enterprises in 1984. The amendment of the statutory framework of innovative activities effective in mid-1984 has raised expectations of its revival, but so far without concrete results. Innovative activities are geared to meet the extemporaneous rather than long-term needs of enterprises.

7. Since 1981, the number of personnel at most enterprises surveyed has markedly declined, the most pronounced slump coming in 1982. The decline abated gradually, but was still apparent in 1984. At the same time, the composition of the workforce has deteriorated, because employment fell most rapidly in the group of workers immediately involved in production and in the group of R & D employees.

In an environment of perceptible labor shortage, no elements forcing the streamlining of the workforce have thus far appeared. Streamlining of the workforce is hardly facilitated by the unstable rules of the economic and financial system, disruptions in supply and subcontract deliveries and a difficult situation in the local labor markets.

Widespread early retirement gives rise to concern. This is primarily the case with workers immediately involved in production. This also reflects badly on [interpersonal] relations existing in enterprises, the incentive system and the condition of the workers' health.

Work on statutory days off and overtime bring about an improvement in the availability of labor. Workers increasingly often accept the lengthening of work hours due to high remuneration which, however, undermines the cohesion of the incentive system.

At the same time, not too many retirees could be encouraged to work because of the condition of their health, exhaustion due to intensive work resulting in a higher base for determining retirement benefits, reluctance to take jobs in short-staffed positions immediately in production and, finally, an opportunity to obtain a decent salary in case of taking a job outside the socialized sector. Likewise, nobody is interested in working for production cooperatives, mainly due to non-competitive wages.

No apparent correlation has been found between the strength of the workforce, its rate of change and the labor shortage of enterprises surveyed, on the one hand, and the level and rate of growth of wages on the other hand. However, the persistent labor shortage makes it easier for enterprises to secure preferences in the PFAZ contributions.

8. The rapid increase in wages at all enterprises surveyed bore no relationship to the rate of growth of production, labor productivity and changes in profit.

The increase of wages is restricted by PFAZ contributions. However, in the period under study, the scope of reductions and preferences allowing the enterprises to avoid the PFAZ contributions has been markedly broadened. At the same time, such reductions and preferences have been customized and have become increasingly arbitrary. The formal statutory tightening of rules for determining the PFAZ contribution has actually been offset. Further development of such phenomena may lead to a pronounced disruption in implementing systemic arrangements.

The PFAZ contribution guidelines currently in effect have pronounced anti-efficiency clauses which place enterprises with considerable labor and capacity reserves in a more favorable position.

The enterprises are truly autonomous in setting remuneration levels. In a majority of cases, the introduction of enterprise remuneration systems results in the increased role and significance of the basic wage, simplification of guidelines and a more immediate linkage between remuneration and the direct result of labor. Tapping simple reserves of growth in labor productivity and increased production are stressed by motivating workers immediately involved

in production to work more intensively. The range of wages of employees with different professional skills, duties and responsibilities is decreasing. In our opinion, not enough attention is being paid to creating more effective incentives for managers, engineers and economists.

Cooperation of enterprises switching to the new remuneration guidelines with the parent agencies and the Ministry of Labor, Wages and Social Affairs is proceeding smoothly.

The shortage of funds needed to introduce wage changes and organizational shortcomings in the sphere of personnel and norm setting in enterprises are the main reasons for delays in implementing new remuneration guidelines.

9. Over the entire period of reform, the share of contract prices has remained high in both purchasing and sales. In 1984, the significance of these prices increased. At the same time, the practice of cost-based price setting for all kinds of prices, including contract, has taken root.

Rapid growth of prices registered in the period under study was caused primarily by the growth of wholesale prices [of inputs] and to a lesser degree by increasing labor costs and changes in taxation. This indicates the prevalence of cost and production-related prerequisites for price regulation over the supply-and-demand considerations. This perpetuates the cost-based methods of price setting.

Despite their growth, contract prices most often are not equilibrium prices. Primarily formal bans (freezes) and apprehension about higher taxes put a brake on the growth of contract prices. The mode of price-setting actually used and their position below equilibrium levels indicate that these prices do not actually play the role originally ascribed to them. They do not differ much from regulated prices.

There is no market reference level to verify the prices since these are not equilibrium prices. On its part, non-market verification is most often formal in character, further strengthening the dominance of the "cost factor" in price setting. As a result, a tendency towards spurious price ratios occurs, with prices thus losing their properties of parameters in economic analysis.

Enterprises are not responsive to changes in prices of the factors of production. In sales, the influence of prices on production and the mix of output is at best indirect, through specific variable arrangements in the financial system of enterprises.

10. In the financial system of enterprises, the strengthening tendencies testify to the lack of pro-efficiency edge in the instruments of indirect management of enterprise operations. The correlation between the financial result of enterprise operations (profit) and the accumulation of the development fund, postulated in theoretical models of microeconomic efficiency of enterprise operations, is not there. Profits are marked by the most variable movement compared to other indicators (accumulation, sales, costs etc); they do not correlate with indicators included in the financial system of enterprises.

There is not enough evidence to support the contention assumed in the guidelines of the reform on enterprises striving to maximize the financial result. Their efforts are concentrated primarily on attaining the indicators making it possible to provide satisfactory remuneration to the workforce and on securing tax relief.

Price changes in 1982 created the framework for a correct development of the financial system of enterprises; their economic and financial situation improved radically. However, since then a gradual erosion of this system has set in.

The same tendency is apparent in settling the accounts of enterprises with the state budget. The role of turnover tax, in that instance a substitute for profit taxation, is increasing. Customized preferences in contributions are proliferating. The strategy of the center with regard to the PFAZ (forcing the streamlining of the workforce and remunerations in enterprises by tightening the requirements) has met with effective resistance by way of minimization of the PFAZ contributions by individual enterprises.

Proportions of profit distribution do not indicate a pronounced tendency to favor the consumption-oriented funds.

The share of credit in the turnover (sales) is decreasing. The development fund drawn from the profit is increasingly and in greater part used to finance turnover expenses. The domineering role of the bank in financing turnover expenses is as apparent as ever.

II. The operation of enterprises has undergone fundamental reform in recent years. However, after the first round of radical changes (1981-1982) there have been few further significant modifications and steps in the direction of originally intended arrangements. Only two significant steps forward can be noted: the repeal of progressive taxation of profits and introduction of enterprise remuneration systems.

The further fate of reform hinges to a great degree on whether and to what extent the economic center and the environment of enterprises are reformed. At present, material and technical aspects are emphasized in control planning. Instruments associated with the reform and market are to facilitate the meeting of the material and technical targets set. Given the still small changes in the role and functions of the center, this presents the threat of a gradual dismantling of market instruments and return to the traditional systemic arrangement. There is a readily detectable tendency to increasingly customize economic instruments and preferences, to establish and assign them arbitrarily and to vary and reduce their effective duration.

The center has again begun to tackle a large array of specific matters and operations management (among other things, petty allocation, setting most prices, assigning custom-tailored preferences, detailed evaluation of enterprise operations, evaluation of the work of managers and setting their salaries). This brings about a recurrence of the past situation when the center again would not have the prerequisites to handle strategic long-range issues.

The inner workings of the center and units of the enterprise environment are still relatively the least known. Therefore, far-ranging research is necessary into, among other things:

- the role of material-technical and economic-financial aspects in central planning;
- methods of designing the economic-financial instruments for managing the economy;
- modification of the functions of central institutions and units of the enterprise environment in line with the requirements of the reform;
- compliance of economic policy with systemic arrangements.

The genuine purpose of operation of enterprise workforces is still little known. The financial system of a reformed enterprise is designed on the assumption that enterprises strive to maximize profits. Our research does not provide enough evidence to substantiate this assertion. In practice, the enterprises give preference to activities enabling them to raise remuneration to the satisfaction of workforces. A trend towards a reduced significance of profit in economic policy and systemic modifications is apparent.

In general, enterprises have quickly adjusted to the new situation and are able to attain quite efficiently their own particular goals which often are not related to the efficiency of management tested by the market. Therefore, the enterprises still operate with great certainty of achieving their goals to a considerable degree even at a low efficiency of management due to reductions, preferences and subsidies. Evaluation and verification of management efficiency by the market is still inadequate.

The external evaluation of enterprise operations which was weakened in the initial stage of the reform is gradually beginning to strengthen. It is carried out by many units using various criteria for evaluation. The subordination of enterprise managers to the parent agencies in the line of duty has been reinforced; this creates conditions conducive to increasing the pressure and intervention of outside echelons.

In our opinion, discerning the genuine goals of the workforce is a necessary condition in designing a proper economic and financial system for enterprises. In this connection, research should be undertaken which would make it possible to identify these goals.

The reasons for which the process of reforming the economy has been impeded are multifaceted. Resistance and apprehension at various levels of managing the economy are undoubtedly among the important ones. Negative consequences of inadequate advances in resolving some economic issues are also very important, however. Three of the still unresolved key issues should be pointed out here:

1. Prices are not of a parametric character in the basic sectors of the economy. This undermines the objective nature of economic results and justifies, or altogether provides foundation for, the interference of the center. Due to the lack of parametric prices, pressure is intensified to exclude a segment of the economy, especially enterprises operating at a loss, from the general framework of the reform.

2. The scope of direct and indirect rationing used in spheres of fundamental importance for economic units (materials' management, [hard] currency, loans and labor in the form of mandatory employment brokerage) is still wide. Rationing subjects enterprises to restrictions which weaken and undermine economic autonomy. The process of decision-making is transferred to the units allocating the short supplies, outside the enterprise.

3. Individual economic units have entered the new system of operation under varying conditions. To this day, these conditions have not been equalized to a satisfactory degree. For example, enterprises with considerable capacity and labor reserves are in a favorable situation. This is an important reason for the arbitrary and custom-tailored interference of the center in the operation of enterprises.

9761

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ECONOMY

YUGOSLAVIA

PROBLEMS IN INCREASING AGRICULTURAL EXPORTS SURVEYED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 16 Jun 86 pp 17-19

[Article by Milosav Ilijin: "Illusions Instead of Goods"]

[Text] There are estimates to the effect that by the year 1990 the exports of the agricultural sector could reach an annual value between \$2.4 billion and \$2.8 billion, i.e., threefold more than over the period 1976-1980 and 2.2-2.5-fold more than in recent years (about \$1.1 billion).

How hard a nut this is to crack is shown by the failure in recent years to achieve the ambition of \$1.5 billion, even though only two simple things are required: to produce the goods in question--the types and quality demanded--and open up the channels for them to reach foreign customers. In other words, this turns out to embrace a much larger number of conditions and requirements, above all in the domain of farm policy and export policy.

According to the customary criteria used in international economic organizations, Yugoslavia is actually not an agricultural exporter in the full sense, i.e., a "regular exporter." That would require, for example, having commodity reserves of the principal foodstuffs representing 15 percent of its own annual consumption. Otherwise it falls among the "occasional exporters," or indeed even in the rank of countries "on the verge of vulnerability" with respect to the food supply.

Yugoslav farm exports are small in volume and unstable. According to official foreign trade statistics, up until 1975 they were below the level of \$500 million a year, and then by 1980 more than doubled, reaching a value of \$1,124 million. But since that time they have merely fluctuated close to that level: In 1981 they reached \$1,242 million, in the next year \$1,172 million, in 1983 \$1,228 million, and then in 1984 they again fell below the level of 4 years earlier, to \$1,111 million. However, in view of the high growth rate of export prices of food in the world over the period 1973-1984, amounting to an annual average of 4.1 percent, the rise in the real value of our farm exports has been smaller and has ranged from \$502 million in 1975 to \$739 million in 1980, and then by 1984 had fallen to \$717 million.

Under the influence of those fluctuations and also as a function of the trend of overall Yugoslav exports, the share of the farm sector has also been very

uneven. In 1973 they represented 17.3 percent of total exports, and by 1980 they had fallen to 12.5 percent, and in 1984 they fell to their lowest proportion of 10.8 percent of total exports of the Yugoslav economy. When we bear in mind that agriculture and the food processing industry realize about 19.5 percent of Yugoslavia's social product, it follows that the record exports of farm products represented the sale on foreign markets of about 38 percent of the output of Yugoslav agriculture; that is, about 7.5 percent of the social product of the entire country was sold.

The datum that Yugoslavia's farm exports today represent only 0.59 percent of world farm exports provides the most realistic picture of their trend. This can be conceived as progress, since in 1981, according to the statistics of the UN Food and Agriculture Organization (FAO), our share in world exports of farm products amounted to only 0.53 percent. Yet we should bear in mind that over the 12-year period in question, along with the fluctuations referred to, Yugoslav exports of farm products have grown at an average rate of 3.8 percent, while world exports of those products have shown an annual growth between 4 and 5 percent. Today those sales are reaching a volume of \$232 billion, which represents between 11 and 12 percent of total world trade. In other words, others have benefited from the larger room for international trade and the increased demand in the world for farm products.

At the same time, over the period 1973-1984 Yugoslavia has been a steady importer of these products, and the value of imports has constantly exceeded that of exports (Table 1). The net trade deficit for farm products has ranged from \$695 million (1979) to \$87 million (1982 and 1983) and \$208 million (1984). It should be added that these movements in particular years followed mainly upon borrowing abroad and restrictions of imports and that there is a low correlation with exports.

Table 1. Exports and Imports of Farm Products, the Trade Balance, and the Share in Yugoslavia's Total Exports, in thousands of U.S. dollars

<u>Year</u>	<u>Exports</u>	<u>Imports</u>	<u>Net Result</u>	<u>Share of Exports of Farm Products in Total Exports (%)</u>
1973	492,008	781,657	-289,569	17.3
1976	669,056	985,252	-316,196	13.7
1980	1,123,921	1,655,954	-532,033	12.5
1981	1,241,817	1,504,570	-262,753	11.4
1982	1,171,900	1,258,819	- 86,919	11.8
1983	1,227,665	1,315,079	- 87,414	12.4
1984	1,111,410	1,319,631	-208,221	10.8

It follows from this overall survey that the level of our farm exports and the highest point reached so far have been very modest. It can even be said that farm exports have been out of proportion both to the natural and economic capabilities offered by our soil, climate, and the level achieved in the country's technological and economic development and also out of line with the growth of world trade in farm products. We can draw a conclusion as to why this is so only from a more detailed examination.

Export--But What

We do not have many products like hops, for which the world supply is restricted to a small number of countries, and the demand is constant and almost unlimited. If we compare the ranking of our products to the list of farm products and processed foods involved in international trade (Table 2), the list is strikingly similar as is the ranking on the basis of proportion--grain, livestock, meat and meat products, fruit and vegetables and products made from them, tobacco, wine, and so on. The only exceptions are oilseed, milk and dairy products, which do not play a major role in our exports. This coincidence is at the same time the first indication that Yugoslav farm exports are aimed at the sector of the strongest international supply.

A further comparison reveals that we are dealing with confrontation with the strongest exporters of particular products (corn, beef, canned pork products, and so on), and that on the same markets. The dominant position of the largest individual exporters with respect to determining delivery dates, prices, and so on, on particular markets (as in the case of the United States on the West European corn market, Argentina or Australia when it comes to beef, Denmark and Holland on the pork market, the Mediterranean countries for wines, and so on) actually suggests that stability, continuity, and the quality of our supply are the things mainly taken into account on the particular markets for these goods. If one is to capture, hold, and maintain a market, one must above all be constantly present on that market and known for stable quantities of goods representing standard quality. This presupposes stable production first of all, and that not only with respect to quantities, but also with respect to adaptability to demands known in advance of (known) customers. And if that is to be achieved, of course, production and trade have to take place under conditions which favor the meeting of those requirements.

To what extent our farm sector fulfills those elementary preconditions of successful exports can be judged right away from the uneven and relatively low average yields (over a spread representing a multiple factor), and then from the heterogeneous breed patterns of livestock herds and fluctuations of various production operations from year to year. One can see from the most recent publication of the FAO on the status of agriculture in the world (EKONOMSKA POLITIKA, No 1782) that certain countries are today producing in value terms several times more goods per hectare of available cropland than Yugoslavia, and in the case of neighboring Greece, this difference is all of 11-fold. There are those who believe that the reason for this lies in the technical, legal, and administrative standards and restrictions such as the maximum landholding, and even Branko Mikulic, chairman of the Federal Executive Council, announced in his first reference to farmers at the last meeting in Bjelovar that an effort would be made to subordinate those standards to the requirements of production and economy. However, it is not a question here just of technical obstacles, but of overall conditions and relations in production, of the socioeconomic position of private farmers, whose work--when it comes to the principal products--is "evaluated" by administrative decisions and agreements (on prices, credit financing, exports, and so on), and not by the market. We should recall the corn exports in recent years which did not take place because of the ban in effect all the way until April, while those exports

begin with contracts concluded even before the harvest! Even full bins or refrigerated storage, then, are not reliable signs of prosperity for exports, since the principal farm products can be exported only after complete agreement among the republics and after all the established dates have passed, even though during that time export prices have dropped precipitously (as has happened with corn). Likewise there could be forcible exports under the pressure of reasons having to do with the balance of payments regardless of prices.

Table 2. Exports of the Most Important Agricultural Products 1973-1984, in tons

<u>Product</u>	<u>1973</u>	<u>1976</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
Corn	276,730	458,891	278,967	220,346	206,205	1,330,707	685,115
Tobacco	17,496	25,166	24,957	22,242	25,163	28,146	18,221
Hops	3,444	2,877	3,326	2,877	2,462	2,671	3,259
Fresh fruit	15,266	14,934	22,260	65,276	48,787	121,466	93,933
Prunes	8,445	4,625	11,394	18,336	21,306	19,647	24,975
Beef cattle	9,802	12,327	18,686	34,960	36,242	29,926	39,500
							20,000
Sheep	44	1,696	2,090	2,819	709	1,843	1,480
Horses	37,248	40,813	27,006	31,013	21,365	23,826	22,053
Beef and veal	64,861	56,830	57,857	21,443	43,843	36,763	36,904
Pork	947	6,285	68	243	4,323	1,363	4,876
Processed meat products	31,062	25,663	34,069	36,579	47,443	53,760	50,059

Table 2 provides sufficient illustration of the presence of Yugoslav agriculture on foreign markets with respect to the principal export items mentioned: the figures, for example, on the sixfold jump of corn exports between 1982 and 1983, and then a drop to half in the next year. Much the same is true of fresh fruit, sheep, pork, and so on. It is superfluous to argue that this is one of the reasons why more and more of our goods have to be exported every year to bring in the same value.

Haphazard Assortment

At the same time, our agrarian exports reveal the limited nature of the assortment. Those in the know say that products which are not sufficiently represented in our offering of livestock products are older young beef and mutton (such as is sought, for example, in the Arab countries), livestock, meat for processing, veal (subject to frequent bans), lambs (for slaughter in accordance with Muslim customs), or turkey and goose meat (which during the New Year's holidays is imported into West Germany without any sort of duties or variable levies). Much the same is true of bottled varietal and quality wines (which are today mostly exported in tanks), and then fresh fruit, where the principal position is taken by apples, and that the outdated varieties, while there is a far lower representation of those fruits which are much less widespread in the world: apricots, quality sour cherries, olives, and indeed even what once was the queen of our agricultural exports--plums (because of unsatisfactory drying).

This unadaptability also undoubtedly arises from the relations which prevail in production and from the treatment which the farmer has in the economic system and economic policy. This situation is not encouraging, but rather stifles all motivation and interest to begin and take the risk of any particular production operation, and that is the consequence of the nonexistence and underdevelopment of the market. It is striking that foreign customers themselves and even the officials of certain governments of West European or oil countries have long been saying in negotiations about balancing trade that they are interested in certain articles (fatted lambs, medicinal herbs, wine), but they still have not found a response in terms of our offering.

Yet these are only the general problems, what we might call the roughage problems, in the quality and assortment of our export offering. Their other more subtle portion is made up of specific problems of the tighter health standards and quality standards of particular goods, especially on the markets of the West European countries. The last chapter in this has just been written by the standards and control measures adopted by the countries of the EEC (among themselves and toward "third countries") with respect to radioactivity, which have given some people the impression that this is an additional way of making life tough for our exporters. But even so, those circumstances cannot be avoided nor changed.

A Ballast of "Privilege"

All the advanced agricultural countries have with their measures of economic policy been offering support and aid to their farmers so that in their production costs and productivity they would be as competitive as possible and would be as successful as possible in their exporting. Some do this in the production stage like the United States through tax exemptions or favorable credits for maintaining inventories, and indeed even by compensating landowners for not planting, while others like those in Eastern Europe cover the costs of investment and production in a planned manner through state budgets, and yet others like some members of the EEC also do this through compensation or various subsidies to exporters through funds which are built up from taxes on imports from third countries, along with government budgets or the budget of the community.

It cannot be said of our economic policy that it has not picked at least a few flowers from every garden, but it seems that they have all been transplanted to the wrong place and in the wrong way. This can be said right away about investment credits, domestic and foreign, which were supposed to bolster the export capability of our farm sector, which the republics and provinces distributed to their organizations according to their sense of responsibility for their own development--such as greater self-sufficiency above all in feeding their own population and the best possible position in interrepublic trade. Nor did the selection of purposes for investments, then, arise out of real market flows and the economic motives of the producers themselves. But they are the ones that have to repay those loans, with the exchange rate differences that have built up, even though they have not had even the indispensable preconditions or economic motivation to use the facilities that were built. They are driving the organizations based on them into losses and absorbing the

capital generated by even those few activities which are still operating in the black. At the same time, the nonexistent internal business capital, in spite of the fictitious income and unrealistic depreciation, is made up for with new "selective" credits from note issue for current production, inventories and preparation of exports. Although they are preferential with respect to the required participation of the investor and the level of interest (last year at the level of the rise of prices), these credits are becoming too expensive for agriculture. Producers are cutting back on their programs, reducing investments in farm equipment, yields are dropping and costs are rising per unit output, and profitability and competitiveness are being driven down.

Table 3. Exports and Imports of Farm Products 1980-1984 (according to the standard international trade classification; in millions of dinars*)

Classification	Exports			Imports		
	1980	1982	1984	1980	1982	1984
Total	1,130,367	1,238,403	1,279,736	1,879,988	1,591,060	1,497,067
Food	106,149	109,040	109,453	119,997	81,614	50,117
Livestock	11,677	11,692	10,766	1,368	1,007	748
Meat and processed meat products	32,300	38,522	32,610	11,728	5,756	3,668
Dairy products and eggs	518	859	1,737	1,183	2,426	1,865
Fish and processed fish products	4,163	4,555	3,574	3,085	2,876	2,273
Grain and processed grain products	13,500	14,064	25,542	37,737	28,118	762
Fruit and vegetables	19,484	28,303	24,523	16,867	10,208	8,682
Coffee, cocoa, spices, and processed foods	1,622	1,936	1,813	32,048	13,287	10,581
Livestock feed	2,021	2,067	3,266	12,362	12,994	11,586
Other foodstuffs	20,864	7,042	5,613	3,618	4,942	9,952
Beverages and tobacco	21,525	27,793	18,364	3,720	2,190	2,574
Raw materials	82,980	57,939	60,335	192,648	174,076	177,625
Hides and furs	88	125	59	12,401	9,040	12,716
Oilseed and fruit	1,313	606	808	9,307	9,231	17,080

Table 3 (continued)

Classification	Exports			Imports		
	1980	1982	1984	1980	1982	1984
Textile fibers and waste	7,512	8,047	7,138	51,839	52,064	54,833
Animal and vegetable oils and fats	2,514	1,022	1,724	11,876	6,397	12,498

* At parity of \$1 U.S. = 124.80 dinars.

Yet economic policy has a ready-made solution even for this--in support prices prescribed on a seasonal basis for the principal farm products "at the level of the Federation," and for other products at the republic and opstina level, as their mutual "real parities," has measures for "adjustment" with prices in industry and--how ironic--has measures to protect the standard of living of the population!

There is no doubt that not a single economic activity can withstand that kind of ballast even with a much shorter production cycle than is the case of field cropping, where it is 1 year, or livestock raising and fruitgrowing, where it is more than 1 year. The gap, then, between the ever higher production costs or domestic prices on the one hand and the steadily dropping prices of all farm products on the world market on the other, especially our export prices, can hardly be overcome by any sort of "real exchange rate" or export incentive. Dr Milorad Stanojevic, former chairman of the Federal Committee for Agriculture, himself said at a meeting held in Novi Sad in late April about our farm exports that domestic prices of our goods are far above the commodity exchange prices at which the world conducts its trade: 40 percent for corn, 65 percent for soybeans, 120 percent for sugar, 10 percent for hogs, and so on. Which is why all measures in this arsenal remain "insufficiently stimulative" for agricultural exports, and farm exports remain "unattractive in terms of income."...

It is difficult to see where this circular trajectory begins and ends. But it seems that this could be the attitude toward the world market, that is, the way its significance is conceived in domestic farm policy. Policy must first of all remove the mortgage of indebtedness which it has imposed on agriculture and then also open up the process of the "influence" of the world market on domestic relations and costs through greater openness to imports of cheaper foreign goods. Then exports become the first and most important goal and direction, as the only realistic way out of the circle we have described.

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POLITICS

INTERNATIONAL AFFAIRS

HUNGARIAN ATTEMPT TO REWRITE ROMANIAN HISTORY

Bucharest MAGAZIN HISTORIC in Romanian Mar 86 pp 33-40

[Article by Stefan Pascu: "Distortions and Falsifications of History"]

[Text] Interest in history and the lessons of the science patronized by the Muse Clio is constantly growing. More and more works, scientific ones intended for specialists but also popular ones intended for the general public (but without deviating from the historical truth thereby), are written about the more remote or more recent past of their own people but also of other other peoples, because it is one of the many lessons of history to contribute to knowledge and to greater international friendship and collaboration on the basis of knowledge. In this spirit Romanian historiography can collaborate with all the world's historians of good faith and clear conscience.

Unfortunately, however, alongside the works that command respect by their scientific quality, other have been published abroad recently that are foreign to that requirement and accordingly foreign to the desire for objective knowledge and consolidation of all-around collaboration between the neighboring and friendly Romanian and Hungarian countries and peoples on that basis.

Aroston Szekelyhidi's "review," printed by the journal ALFOLD (The Plain) No 9 1945, in the Hungarian-language edition of my book "What Transylvania Is," Bucharest, Kriterion Publishing House, 1984, 255 p), is in the latter category.

Naturally my first thought was to identify the journal and the author, and so I consulted a scholarly reference work entitled "Introduction to the Sources and Literature of Hungarian History" ("Bevezetes a magyar tortenalem forrasaiba es irodalomba," Budapest, 1954-1958), published under Acad D. Kosary's signature. I looked in the list of abbreviations but did not find the publication.

Next I looked in the index of authors to find the reviewer, with the same result. His name was not in the work. I consulted the new edition of Prof D. Kosary's work, thinking that the reviewer would have been too young in 1958 but in 1971 he would have been old enough to be noted by the author of the work. My hopes were dashed again. Neither the journal nor the reviewer were entered in the long list of abbreviations (13 pages) or the very long index of names (112 pages).

Desolated by this lack of consideration for a scientist of Szekelyhidi's caliber, I took the next logical step and began to read the reviews, where I found from the start flattering opinions of the author of the book "What Transylvania Is." "The author is one of the most penetrating investigators of these problems. His work as a scientist, which has been going on for decades, is focused upon Transylvania and the national unity of Romania. He has published a whole series of monographs on the subject, as well as studies of the important periods, events and personalities. His latest book is actually intended as a popular work, in which he has supplemented his activity as a historian with that of a journalist, without lowering his standards thereby but apparently raising them. He has imbued his precise descriptions and analyses with a narrator's animation and a poetic atmosphere, and he has been attentive to the tone of his exposition, nowhere attacking, stigmatizing or accusing anyone. At the same time he has organized the whole around the major problems." And further, "Pascu has responded to the controversies, but without polemics. The titles of his chapters recall the debatable questions in turn." A list of the chapters of the book follows, and then the conclusion: "Actually they are solely exciting and enigmatic events" (*sic!*). And finally, "The reader (meaning the reviewer) of Pascu's historical works cannot forget how many splendid pages written by the Romanian historian he has previously read through with understanding, sympathy and admiration." I regret that I do not know of Szekelyhidi's works, if they exist (through no fault of mine but that of his colleagues, who have not entered him in the reference works), in order to form an opinion of them because I do not want to remain obligated. Even though the reviewer calls me by my surname throughout like friends of the same age, this dialogue from equal to equal does not bother me because I am thinking the man must have acquired his education by "correspondence."

After all this I was more and more curious to know what led Szekelyhidi (I trust it will not offend the reviewer if I follow his example in this purely formal matter) to pay so much attention to my book, and it took no great effort to satisfy my curiosity. Here it is in his own words: "He has extended the radius of action of the Romanian element in Transylvania over the entire history of the length and breadth of Transylvania. He has accordingly attributed a secondary position, importance and influence to the three traditional nations (*sic!*) Hungarian, Saxon and Szekler, throughout history."

How would the reviewer have wanted to limit the radius of action of the Romanian element? It is well known to all men of good faith in the world that the Romanian people lived there without interruption, were found there by the Hungarian, Saxon and Szekler populations (not nations!) and were in the absolute majority there from their origin to the present day, playing the decisive role in the entire history of Transylvania. It is equally curious and deplorable logic or lack of it on the part of a journalist claiming to "make order" in the history of Transylvania by the correction he wants to make of an "unjustified" historiography. But here figures take the place of superfluous comments. In this case either the reviewer's calculator was defective or he did not bother to turn the pages of the book. Had he done so, he would have seen the trap that he was setting for himself, because he would have readily found that 39 of the 85 works mentioned in the text (collections of narrative and documentary sources and interpretive works) are by Romanian authors, 20 are by Hungarian authors, 11 are by Saxon authors, and 15 are by Greek, Latin, Italian, German, French, English and American authors (especially since their titles are in italics), instead of eight studies by foreign authors out of a total 83 titles, as he states.

The reviewer's comments can be divided into six categories: (1) statements attributed to the author of the book that do not occur in the text, (2) the origin and continuity of the Romanians in Transylvania, (3) presentation of the role of the populations or national minorities, (4) the statistical ratio between the Romanians and the national minorities, (5) the Romanians' ethnic and cultural unity, and (6) the formation of the unified Romanian national state.

The reviewer does not shrink from resorting to artificial formulations, which he attributes to me. Nowhere in the book's 255 pages will such formulations be found as "development of the Daco-Thracian-Roman-Romanian people for at least 2,000-2,100 years," or "In this land (Transylvania) some nation, nationality or dominant groups always rule in an illegitimate and unjust way," or "The Thracian-Daco-Roman-Romanian people, of a direct and single origin, created a system (a civilization) of settlements in the 8th-10th centuries, a socioeconomic system of state organization, language and culture that formed a solid and permanent basis for all the subsequent systems," and at another point, "The kings, voievods and princes consolidated their power against the Romanians by means of the ancient purposeful strategy of national and class oppression. This situation, amounting to a conspiracy, was finally remedied in 1918 by the Romanians' national and state unification," and adding at another point, "that between the 8th and 18th centuries no clear proofs were preserved of the unified majority Romanian population in Transylvania because the colonists assimilated the civilization of the indigenous population there and only their influences remain in history."

The Arguments for Romanian Continuity

Szekelyhidi is troubled by the Daco-Roman origin of the Romanians and their uninterrupted continuity in the land of their ethnic origin, the Carpatho-Danubian-Black Sea area. And I wonder in my astonishment why it is troubling him. We are not bothered by the fact that the Hungarians belong to the great family of Turkic people or the fact that the tribes originating in the Ural-Altaic region settled in Pannonia at the end of the ninth century. Each to his own origin and history! If Szekelyhidi had been in the least familiar with scientific ethics, it would not have been difficult for him to ascertain the historical facts, because the logical and factual proofs of the Daco-Roman origin take up no less than 10 pages of the work in question. Let us remind him of some of the factual proofs of this continuity in order to save him and others from reading the 10 pages:

a) In cities of Roman Dacia: use or reuse of the old Roman constructions and fortifications at Sarmizegetusa for defense purposes, the immense burial ground at Apulum containing over 1,500 Christian graves dating from the 4th to the 12th centuries, and the late Roman and Dacian remains, hundreds of artifacts and thousands of Roman coins from the period of the migrations found at Napoca, Po-taissa, Porolissum, Tibiscum and Dierna;

b) In the former Roman camps: remains of Dacian and late Roman occupancy in 12 such constructions located throughout Transylvania, bronze and silver coins, and early Christian artifacts;

c) In rural settlements: identification and study of dozens of settlements throughout the former province, wherein dwellings, artifacts and ornaments were found of striking Roman tradition supplemented with new characteristics, and the

fourth and fifth century Latin inscriptions such as the one at Micia (Vetel), the Martine Vivas inscription or the famous votive offering at Biertan with the text *pro Renovius votum posui*, in addition to the two such inscriptions found at Porolissum and a third one at Gornea in the Banat. All of them are in Latin and accordingly belong to the only Latin-speaking population, which had embraced the new faith of Christianity in the preceding centuries.

Such evidence has also been found in the lands inhabited by the free Dacians (extensive areas in Bessarabia, Moldavia and Transylvania), where the whole population remained in their ancestral homes, subject to Romanization both in the time of Roman rule and in the period of the first waves of migration through coexistence with the Daco-Romans in the former province. The expression of this unity differs from the Ipotești-Cișinău and Costișa-Botoșana cultures (fifth and sixth centuries) and the Tridub culture (7th-11th centuries).

These are too many weighty proofs for Szekelyhidi's pen and ALFOLD's paper. Moreover Imreine then made his "scientific" opinions easier to digest. And furthermore the reviewer did not even take the trouble to read what was written about the Daco-Roman origin and continuity nearly two centuries ago by Andras Huszti ("Olasz Dacia," 1791, p. 8): "The descendants of the Getae (Daco-Getae) are still living today and dwell where their forefathers dwelt speaking the language their forefathers once spoke. No people has a language as close to Latin as the language of the Romanians. That is a sure and unmistakable sign that they are the descendants of the ancient Roman colonists in Transylvania." Or if he wished to make certain from a Latin text written at the same time and also by a fellow countryman of his, Jozsef Renko ("Transilvania sive Magnus Transsilvaniae Principatus olim Dacia Mediterranea dictus," 1st edition 1777 or 2nd edition 1834, pp. 75-77), he could have found that "The Romanians are living proofs of the remnants of the Roman colonists mixed with other populations." But such archeological arguments or those covered with the dust of libraries are probably unworthy of the high science of Szekelyhidi, who finds all knowledge of the subject in the writings of Roesler, Hunfalvy and others like them.

A perfect "dialectician," as he introduces himself in order to preclude any doubt about the "objectivity" of his analysis, Szekelyhidi even outdoes his mentors. They accepted the unnoticed "penetration" of the Romanians from the Balkans and their settlement north of the Danube throughout the 9th-13th centuries. But Roesler's theory was formulated over a century ago. Why should the "immigration" theory have remained unchanged? Such "dialectical" reasoning also explains Szekelyhidi's illuminating "theory" to the effect that the Romanians did not "infiltrate stealthily" but were "settled" by the kings of Hungary in stages, first by Ladislau Ormanul (that is between 1272 and 1290). Why the Romanians were settled by Ladislau Ormanul is a question that the one who made the "sensational" discovery does not answer. He is not in the least disturbed by the fact that the 217 documents concerning Transylvania during King Ladislau Ormanul's reign do not make even one reference to such a "settlement," while the Teutonic Knights, who were settled in Transylvania half a century earlier, are referred to in 19 surviving documents covering a short period of 25 years only, a period for which documents concerning Transylvania are far fewer. The readers, aware of Szekelyhidi's scientific prestige, are to take his word for it without demanding a shred of evidence. Is it a problem of method, or of conception? Or rather lack of both, since untruths are in themselves enemies of method and conception.

Tricks of Ignorance

Szekelyhidi thinks his readers are either very well informed or entirely indifferent to such problems. In either case he can permit himself omissions and evasions, which are his idea of "method and conception." If as the reviewer believes the Romanians were not settled until the end of the 13th century, who was inhabiting Transylvania after the "abandonment" until the late ninth century, when the tribes of "Hungarian settlers" reached Transylvania in 895? The reviewer does not feel obligated to give any answer to that question either, just as he did not feel obligated to his readers to provide them with any evidence that the Hungarian tribes reached Transylvania in 895. He probably imagines that ALFOLD's readers do not know of the work of Master P, King Bela's scribe (secretary), entitled "*Gesta Hungarorum* (Deeds of the Hungarians)," which tells in Chapter XXVII of the fight between Tuhutum (Teteny), the leader of a Hungarian tribe, and "Duke" Gelu of Transylvania, stating that at that time Tuhutum ruled Transylvania and Sarolta, of Tuhutum's family, was the wife of Prince Geza and the mother of King Stephen the Saint.

Sometimes the sources like to play tricks on "historians" who do not know their own history and annals. For Master P clearly states that the route to Pannonia taken by the Hungarians under Duke Almus lay to the north of Transylvania through the Hovos forest and from there to the Ung regions, where they occupied the settlement of Munkacs (*Et sic venientes per silvam Hovos ad partes Hung descendunt. Et cum illuc pervenissent, locum quem primo occupaverunt, Munkas nominaverunt eo.*). Accordingly Prince Geza's wife, the mother of King Stephen the Saint, was Tuhutum's great granddaughter which, for historians accustomed to reading and understanding the sources correctly, means that three generations or more than a century passed between the two episodes, that is between the Hungarians' settlement in Pannonia and the beginning of their expansion properly speaking into Transylvania during the reign of Stephen I. The tricks that Master P played on his follower over the centuries are still going on, for the chronicler, not foreseeing the intentions of Szekelyhidi and others like him, was indiscreet enough to record in his work that when the Hungarian tribe went into Transylvania that country was ruled by "a certain Romanian, Gelu" (*Gelou quidam Blachus dominum tenebat*), "the duke of the Romanians" (*Gelou dux Blachorum*), and "Gelu the true ruler of Transylvania" (*Gelou vero dux Ultrasilvanus*), and that Transylvania was inhabited by "Romanians and Slavs" (*Blasi et Sclavi*).

In this situation I have to choose between Szekelyhidi's statements and those of the sources. The choice is not too difficult, especially since he has raised to the rank of "method and conception" his bad habit of butchering and distorting the text by selecting what suits him out of the context and rejecting what inconveniences him.

Szekelyhidi is dissatisfied with the way the roles of the Hungarians, Szeklers and Germans are presented in the history of Transylvania. And to convince his readers of the "injustice" that has been done them, he quotes some conclusions from the book under discussion: "The rich and troubled history of Transylvania is common to the indigenous Romanians and to those who settled there in the course of time: Hungarians, Szeklers and Germans coexisting alongside Romanians and creating material and cultural values in common." And further, "The Hungarians, Szeklers and Saxons came with their traditions, customs and attitudes and

their own institutions, grafted upon the indigenous ones of the Romanians and deeply embedded in the soil and in the awareness and accordingly stronger than those of the late comers and settlers." What is incorrect in those statements? I have nothing to add, change or correct in those conclusions. But the reviewer concludes that such statements "present the other peoples who have been living there as colonists without the right conferred by autochthonous status." I have not considered Hungarians or Szeklers colonists or without rights, but I could not consider them indigenous because they are not. The author himself admits that they "arrived" in Transylvania in 895 (correctly, at the beginning of the 10th century in isolated warlike expeditions and also at the beginning of the 11th century in an expedition of the same nature). It is true that I did not applaud the "domination of the dominant groups" of the foreign populations over the Romanian people, but not because those groups were Hungarians, Szeklers or Saxons but because a historical-materialist conception, which is our guide in evaluating historical phenomena, does not in my opinion justify exploitation of the majority by any minority in either the social-political or the ethnic sense.

But the reviewer denies the fact known even to people with a primary school education that the Transylvanian Romanians were oppressed by the Hungarian nobility. I am again faced with a dilemma whether to take his word for it or to believe the contemporary well-informed sources that I recommend to him because he probably does not know them and is unaccustomed to refer to sources in his "studies." One of them is the work of the Hungarian humanist Antonius Verancius or Verancsics in the 16th century ("De rebus gestis Hungarorum" in Antal Verancsics, "Usszesunkai" I, Pest 1857, p 143), secretary of the Prince of Transylvania, who says about the Romanians, "Nulla illis libertas, nulla nobilitas, nullum proprium jus, praeterquam paucis districtum Hazak incolentibus (They have no freedom, no nobility and no law of their own, except the few living in the Hateg district)." For more than a century the decisions of the diets of the Autonomous Principality of Transylvania between 1540 and 1653, organized in the collection of laws entitled "The Approved Constitutions (Approbatas Constitutiones)," regulated the Romanians' position as follows (Section VII, "On the Romanian Clergy"): "Although the Romanian people in this country have not been included in the received (recognized) estates or religions..." And in another passage (Section IX, "On the Romanians"): "Although the Romanian nation has been tolerated in this country for the public good regardless of its inferior status..." and again in another passage Part V, "On the Romanians," Edict XLIV): "Romanians in any other category (than those on guard duty) shall not dare to carry muskets, quivers, sabres, broadswords, halberds, spears or other weapons." Will this unequivocal evidence give Szekelyhidi pause about his scientific "method and conception"?

The Countless Multitude of Romanians

Another matter that aroused Szekelyhidi's dissatisfaction is the statistical ratio between the Romanian people and the coexisting populations, or the absolute majority of Romanians in Transylvania at all times. And once again the facts are more conclusive than unsubstantiated assertions. In Pope Gregory IX's effort to increase the number of Catholics in Transylvania in 1374, he thought of the large number of peoples called Romanians (*multiplicitudo quorundam populorum qui Valachones vocantur*). The absolute majority of Romanians in Transylvania is also indicated by the record of papal tithes (1332-1337), listing only about 900 Catholic parishes in about 3,000 settlements existing at the time. The former

were inhabited by Hungarians, Saxons and Szeklers and the latter by Orthodox Romanians. The proportions of Romanians were even higher in some areas. In the Banat for example the Orthodox, or Romanian, population came to 95 percent and the Catholic, or Hungarian, population was only 5 percent. At the beginning of the 14th century the Romanian population of Maramures amounted to 90 percent and the others only to 10 percent. By the end of the same century the proportion of Romanians was lowered to 80 percent by the settlement of groups of Ruthenians in the 14th century.

This proportion underwent some changes that are quite understandable on demographic grounds, since a larger population increases more than a smaller one. The ethnodemographic experts always stress that point. By the middle of the 16th century the situation was even more in the Romanians' favor in Northwest Transylvania (Satu Mare, Bihor and Solnocul de Mijloc-Salaj). According to Istvan Gyorffy's figures, the villages in Satu Mare were over 75 percent Romanian and only 24 percent Hungarian, in Bihor County they were 84-93 percent Romanian and only 7-16 percent Hungarian, and in Tara Zarandului they were over 85 percent Romanian and less than 15 percent Hungarian. The Banat in its turn was called a "Romanian land" (Olahsagh) in the middle of the 15th century, and in the middle of the next century the Italian Giovannandrea Gromo called it the "Romanian Land beyond the Carpathians" (Valachia Cisalpina, Valachia Citeriore), and two Jesuit reports in 30 years stated that the Banat was a Romanian province (provincia Valachica). In Hunedoara County nearly 70 percent of the villages were Romanian and little more than 30 percent were Hungarian. Concerning Tara Fagarasului, the Italian Antonio Possevino, one of the Cluj University faculty, stated at the end of the 16th century that "There are more than 70 villages, nearly all of which are inhabited by Romanians," and the Rodna area was characterized at the beginning of the 16th century as the Valea romaneasca (Vallis Valachalis) and the Romanian district (Districtus Valachicus). It was only in the Saxon and Szekel centers in Southeast Transylvania that the ethnodemographic situation was more favorable to the Saxons and Szeklers.

Forgetting, it seems, that he "settled" the Romanians in Ladislau Curanul's time, Szekelyhidi makes another "epochal" historical discovery, to the effect that "The mass immigration of Romanians into Transylvania began after the Ottoman conquest in the 18th century." He concludes from this that "Their overwhelming majority (in Transylvania) was formed after that date." He does not tell us where these Romanians emigrated from en masse, leaving the reader free to guess. The Balkan Peninsula is not a likely source, since that was conquered by the 15th century, nor Hungary, which was actually conquered by the Ottomans in 1541 and made a Turkish pashalik. From the Romanian Principalities? They were never conquered by the Ottomans and always kept their autonomy. The "theory" of an immigration from the Romanian lands is not new. It is a century old and now, after it was refuted by an objective critical analysis, Szekelyhidi is reviving it without reservations, not mentioning that the situation was exactly the reverse, that is tens and tens of thousands of Romanians crossed the Carpathians to escape the social and national oppression of the nobility. The number of those who sought better living conditions in the Romanian lands south and east of the Carpathians was so great in the 16th and 18th centuries that officialdom itself was worried about it. The Hungarian chronicler Mihaly Cserei says it clearly: "The people are crossing en masse from Transylvania into Moldavia. We have made every effort to stop it but without result," and the Wallachians and Moldavians were heard to exclaim, "All Transylvania has come here," according to a report sent to Empress Maria Theresa in 1773.

Yet the Romanians continued to be in the absolute majority of the Transylvanian population throughout the 18th century and on to 1918. It was 63-65 percent Romanian in 1720-1721, when Hungarians, Saxons and Szeklers together came to 35-37 percent; 66.46 percent Romanian in 1761-1762, with 21.62 percent Hungarian and Szekler together and 11.72 percent Saxon, and 63.5 percent Romanian in 1773, with 24.1 percent Hungarian and Szekler together and 12.4 percent Saxon. The ethnodemographic situation in Transylvania continued to be in favor of the absolute majority of Romanians. The Emperor Joseph II also confirmed it when he said, "The Romanians are undoubtedly the oldest and most numerous inhabitants of Transylvania. And the learned Hungarian Iaszlo Kovari stated that over 1 million Romanians and only 213,000 Hungarians were living in the Transylvanian counties (before the 1848 revolution), so that "You can travel for whole days in Transylvania without hearing a single Hungarian word."

"You Cannot Exist Without Us"

The reviewer is also "unalterably opposed" to the fact that Transylvania was closely connected with the other Romanian lands, Moldavia and Wallachia, with which it maintained close economic, political, cultural and institutional relations based on a common origin and ethnic background and common language, customs, interests and aspirations. I am not sure that the evidence will satisfy one who ignores it out of ignorance or bad faith, although Hungarian historians and chroniclers of unquestionable prestige have said that Transylvania was always oriented toward Wallachia and Moldavia. The historian Sandor Szilagyi ("Erdely Ország története tekintetével megalodolodás," I, p 66) stated, "Transylvania and Hungary never merged but have always been two different countries. The needle of the Transylvanian compass pointed east because the majority of its population belonged to the eastern church, while that of Hungary has pointed west ever since its first king." And E. Farczadi ("Az erdelyi vajdak igazság, zolya'l, tatasi ihaldskori es mukodesc 1437 elott," Budapest 1910, p 7) said, "The kings of Hungary had to agree to a special organization of Transylvania with the powerful voievods who ruled it under the urgent pressure of necessity, because awareness of independence there was so deeply rooted that the formation of the state, once begun, could no longer be checked." As Miklos Endes knew ("Erdely harom nemzete es negy vallasa autonómiajanak története," Budapest 1935, p 152), "The Transylvanians tried to organize as a sovereign state after the example of Wallachia" before the Principality of Transylvania was organized. The chronicler Mihaly Cserei exclaimed, "Learn, Transylvania, learn and do not unite with Hungary, for the Hungarian gruel has often burned your mouth."

As for the intensity of the economic ties among Transylvania, Wallachia and Moldavia, the many privileges granted to the traders from Transylvania by the voievods of the Romanian lands to carry on free trade in the respective countries are weighty evidence, in addition to the large number of participants and localities engaged in commercial activities. The conclusions from these facts were drawn in the middle of the same century by the great Wallachian magistrate Stanila in a letter to the Brasovans: "You well know that you cannot exist without us and that your country, Tara Birsol, cannot exist without our country."

The close political relations among the three Romanian lands in the voievodate period are attested by the military collaboration in the anti-Ottoman struggles and by the attempts to unite them during the voievodate of Iancu de Hunedoara,

who was also "commander in chief" of Wallachia and "father" of Moldavia, and during the reign of Stephen the Great, who ruled large areas of Transylvania and tried to take over Wallachia as well. All these attempts laid the groundwork for the unification of the three Romanian lands under Michael the Brave's rule, the Unification in which an important part was also played by the Romanians' awareness of their kinship, which was noted and emphasized by many Romanian and foreign chroniclers, among whom the Transylvanian chronicler Istvan Szamoskezi, an enemy of Michael's, pointed it out as an explanation of Michael's victories over the nobles' armies. The 12 treaties of alliance concluded among the three Romanian lands in the 17th century out of the total of 31 international treaties they concluded are further conclusive proof of the close political ties that were the legacy of the historic achievement in 1600, the unification of the Romanian lands.

The cultural ties among Transylvania, Wallachia and Moldavia supplemented the political and economic ones, from the first Romanian translations made in Cluj at the turn of the 15th century, which also circulated in Moldavia, and the Trassov printings of the Wallachian deacon Coresi, which also circulated south and east of the Carpathians, just as thousands of books printed in Wallachia and Moldavia circulated constantly in Transylvania. The number of books dedicated to all Romanians is also significant, a dedication emphasized in the Prefaces, addressed to "the whole Romanian nation," "all Romanian kin," "the entire Romanian people," "for the benefit of the Romanian people," etc.

Recent studies have also demonstrated the antiquity, persistence and originality of many political and legal institutions common to all Romanians: principalities and princes, voievodates and voievozs, boyars and serfs, judges and juries, courts and the customary right (*jus valachicum*), etc., whose antiquity is apparent in identical Romanian rural communities everywhere and which are proofs in themselves of the unity and continuity of the Romanian people.

The common Daco-Roman ethnic background gave rise to the common Romanian or Daco-Romanian language with no divisive dialects and only regional ones without major differences. The importance of the language to the Romanian people's evolution has been pointed out and demonstrated convincingly by many Romanian and foreign scholars, such as the great 19th century humanist Antonio Bonfini, who was well acquainted with the facts and stated that the Romanian people fought as hard to preserve their language as to save their lives. And the Hungarian scholar Jozsef Benko said about Romanian customs in the second half of the 18th century that it would be easier to snatch the club from the hands of Hercules than their customs from the Romanian people's awareness.

Fulfillment of the Age-Old Dream

At this point I do not think it superfluous to discuss a question that seems to have been the reviewer's main incentive, namely the formation of the unified Romanian national state as an inevitable, objective and unanimous process desired and accomplished by all Romanians.

Once again truncation and distortion replace all thought on the reviewer's part. Instead of quoting the conclusion in my book in full, he takes one line out of the context in order to detract from its significance. Therefore out of respect

for the readers I shall reproduce the entire passage concerning the treaty of alliance concluded on 17 August 1916 between Romania and the Entente recognizing the right of the territories inhabited by Romanians in Austria-Hungary to unite with Romania. "It was the first international recognition of the Romanians' unification in a single state and of Romania's territorial integrity, an international recognition of the ethnodemographic principle." That is the fact that bothers Szekelyhidi, and therefore he considers it "risky" to support the ethnodemographic principle in our times. He does not tell us why it is risky and leaves the "risk" of an explanation to the readers. He has "honored" his scientific mission and can exclaim, "Dixi et salvavi animam meam." Nor does Szekelyhidi accept another fact, namely that the achievement of national-state unity demonstrated an impressive solidarity on the part of the entire Romanian people, workers and peasants, intellectuals, townsmen, artisans and small landowners, the CNRC [Central Romanian National Council] ("the single form representing the will of all the Romanian people") being composed of six representatives each of the Social Democratic Party and the National Romanian Party. The act of solidarity was rehearsed in 1859, when the unification of the principalities was decided by another impressive unanimity of will. For recognition of the truth, Lajos Kossuth's words spoken in exile upon learning of the events in 1859 are conclusive: "Such a spirit is necessary for a people to found a nation or, if they have lost it, to regain it." (L. Kossuth, "Iratam az emigracziabel," 24 edition, Budapest 1880, pp 376-380) The allusion to the Hungarian people is unmistakable. If Kossuth had been living in 1918, in his moments of sincerity he would have repeated his thoughts about the "Great Unification."

Nor does the description of the war Romania fought in 1916-1918 as a war of "national completion" suit Szekelyhidi, who objects that the war was fought "as part of the clash of the great imperialist powers bent upon conquests," so that any participation in that war for any reasons whatever is to be judged harshly as an unjust action. But here is V. I. Lenin's view expressed in July 1916 on the nature of the struggle for national liberation: "This era (of imperialism) by no means by no means excludes the national wars, for example those launched by small states, annexed let us say or oppressed nationally, against the imperialist powers, nor does it exclude the large-scale national movements in Eastern Europe." (V. I. Lenin, "Complete works," Vol 30, p 355)

The reviewer does not consider it plausible either that the Romanian prime ministers of the period unanimously "pursued the policy of national dignity and defense of sovereignty." But the book does not mention the Romanian prime ministers of the period but only those at the time of the Paris Peace Conference (I. I. C. Bratianu, Gen Vaitoianu and Al. Vaida Voievod), who actually defended the two principles. A century or an exact date and a period or a specific event are all the same to Szekelyhidi, who blandly declares, "It makes no difference." In criticizing the Treaty of Trianon, for example, he does not realize that the opinions are those of the French prime minister and chairman at the time of the Supreme Council, Alexandre Millerand, who explained in his letter of 6 May 1920 that "Its authors (of the treaty) made every effort to study and understand the situations in Central Europe and the claims and age-old grievances of the nationalities and also to consider impartially all that could constitute a right of Hungary's." The territorial provisions were adopted, Millerand declared, "upon examination of the documents of any kind that could be invoked in support of the Hungarian argument. The spirit of justice that prevailed when the Treaty of

Trianon was approved is also borne out by one of the important parties to the peace negotiations, Ch. Seymour, an expert in the American delegation who added to Millerand's letter, "With few exceptions the approved frontiers conform to the ethnic distribution of the populations. Where the ethnic criterion is in doubt, the scales seem to have been tipped slightly in favor of the former ruler German and Hungarian nationalities." (Ch. Seymour and Col House, "Ce qui se passa réellement a Paris en 1918-1919," 1923, p 92) As for the value of the Treaty of Trianon, I would remind the reviewer that it was confirmed by 37 signatures representing 20 countries (10 for Europe, 5 for Asia, 3 for Latin America, 1 for North America and 1 for Australia), chairmen of ministerial councils, ambassadors, high commissars, admirals and ministers plenipotentiary including J. de Benard, Hungarian minister of labor and social protection, and A. Drasche-Lazar, minister plenipotentiary of Hungary.

We cannot help wondering what Szekelyhidi was after. To question the value of the peace treaty that righted an age-old wrong. That seems to have been his purpose, but in order to achieve it he attempted numerous zigzags like a boat tossed by the waves, with the obvious intention of misleading his readers. Believing that his intention was accomplished, he betrays the secret to them: "Beyond destroying the monarchic structure, the peace treaties that ended World War I actually served the great powers' capitalist interests, and social progress was advanced only marginally, in the shadow of those interests. Accordingly the peace treaties could and did become the unextinguished tinderbox of World War II." In other words, the peace treaties should be annulled and the monarchies restored in their place because they are so unjust and cause such catastrophes, in this case the two-headed Austro-Hungarian monarchy, that "prison of the peoples," as Lenin described it, with its so false structures and its counts, barons, serfs and servants because, as Szekelyhidi says, "Social progress was advanced only marginally!" Does he not think it a shame that monarchic structures so good for the big landowners, industrialists and bankers were destroyed for such insignificant progress? Of what importance are international law and the peoples' rights? What does it matter that the Peace Conference at the end of World War I declared the odious Dictate of Vienna null and void and recognized that Northwest Transylvania, which had been stolen by means of that fascist dictate, belonged to Romania, thus reaffirming the international recognition of the Great Unification of 1 December 1918, which had been legalized again by the Treaty of Trianon? International treaties are to be regarded as "scraps of paper" that can be readily destroyed? Is that not what Hitler did? Why should not others do it, since the peace treaties of 1919-1920 became "unextinguished tinderboxes" of World War II in Szekely's opinion? And all these adjudged "rights" are formulated in the name of "socialist internationalism" and the "affinity and similarity of the interests of the working classes, nations and nationalities" beyond the borders dividing countries. In his imagination, Szekelyhidi's commentaries have the significance of a memento, to the effect that the "onerous points" in the treaties must not be forgotten, and especially to the effect that actually "The historical legacy is still full of obstinate isolations, upheavals and discords," he thinks. Who keeps these "discords and upheavals" alive? Is it not those who would turn back the clock of history?

The reviewer's opinions conclude with the "wise advice" that the constitutions must be "modified, supplemented and differentiated." Which constitutions does Szekelyhidi mean when he demands "modifications and supplements" in the name of

a "sense of responsibility"? The conclusion of the review makes it possible to gather who the targets of these "thoughts" are, namely those who make "mistakes that could have been avoided and useless evasions due to hasty elimination of the characteristics of the coexistence of nations and nationalities that could have been interpreted and exploited." In other words, those who sacrifice "the long-range solution of the problems on the altar of the easier, temporary solutions."

Some conclusions can be readily drawn from the discussion as a whole. Szekelyhidi and all those like him, unconscious of the responsibilities of the written or spoken word, deliberately falsify the facts in order to sow the seeds of discord and antagonism among peoples and to maintain the Utopian nostalgia for times gone forever, forgetting the fact that historical processes are irreversible and that the victories won by sacrifices and the justice achieved by the resolute will of the peoples cannot be wiped out by obstinate thoughts. The peoples must be very attentive to such malicious intentions in order to nip them in the bud. All men of good faith must replace them with good will and a sincere desire for collaboration, in the name of socialism and friendship among peoples in general and particularly among those whom history has made neighbors. But friendship and collaboration must be based upon truth and justice, whether it is a matter of the historical past or of their present and future.

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POLITICS

GERMAN DEMOCRATIC REPUBLIC

SUMMARIES OF MAJOR EINHEIT ARTICLES, JUNE 1986

East Berlin EINHEIT in German Vol 41 No 6, Jun 86 (signed to press 13 May 86)
pp 482, 575

[Summary of article by Prof Dr Manfred Banaschak, member of the SED Central Committee, chief editor of EINHEIT: "Related to the Present and Oriented Toward the Future"; pp 483-491. A full translation published in this report]

[Text] EINHEIT Editor Assesses 11th SED Congress. Prospects

On the 11th SED Congress, its democratic preparation process, and its resolutions, marked by the creative application of Marxism-Leninism to concrete requirements. How does one achieve that each at his place draws, in full responsibility, inferences from it for the whole? On the ideological-theoretical conception, which implies an orientation to the safeguarding of peace and to economic and social policies in their unity, and on the requirements resulting from the economic strategy for organizing scientific-technological revolution and clarifying the questions raised thereby in ideology and social strategy.

[Summary of topical editorial article; pp 492-524]

[Text] Economic and Social Policy--Our Main Battleground

The goals we have adopted for the further perspectives of the GDR till 1990 and beyond are determined by our carrying on the proven course of our united social and economic policies consistently and combining the scientific-technological revolution that has entered a new developmental phase ever more closely with the advantages of socialism. What high demand for performance derives from it for science, is explained by Prof Dr Hannes Hoernig, member of the SED Central Committee and SED Central Committee department chief, in his article, "Science Facing Ambitious Tasks," where inferences are drawn for the development of science and its linkage with production. Prof Dr Johanna Toepfer, member of the SED Central Committee and of the GDR State Council, and deputy chairman of the FDGB National Executive Committee, in her

contribution, "With Men and for Men," demonstrates how the advantages of socialism are more effectively still to be tapped and what measures derive from it, in particular, for trade union work. Prof Dr Claus Kroemke, deputy department chief in the SED Central Committee, in an article entitled, "Through Productive Forces Development for the Good of the People," devotes himself to the new requirements placed on the implementation of the party's economic strategy with an eye to the year 2000. Prof Dr Gerhard Merkel, deputy general director of the VEB Robotron Combine, corresponding member of the GDR Academy of Sciences, and member of the GDR Research Council, in an article entitled, "Microelectronics--A Challenge to Each Combine," and Prof Dr Rolf Schulze, director of the Biotechnikum at Martin Luther University in Halle-Wittenberg, in an article entitled, "Biotechnology--A Modern Productive Force," argue the role of key technologies for the further implementation of the economic strategy]

[Summary of article by Guenter Sieber, member of the SED Central Committee and director of the International Relations Department of the SED Central Committee, "Working Together for Peace," pp 525-530. A full translation of this article is published in this report]

[Text] Peace, Dialogue Called Prime Foreign Policy Goals

The political stability and economic dynamism of the GDR--the foundation for our successful foreign policy efforts. The priority goals and trends in the SED's international activities as issued by the 11th party congress. Safeguarding peace as the issue that precedes everything else. Our policy of outcome-oriented dialogue and of cooperation with all forces of reason and good will. Our fraternal alliance with the CPSU and the USSR--the guarantee for our further advances and the people's innermost cause. Our party's internationalist responsibility.

[Summary of article by Historian Werner Kirchhoff, SED Central Committee candidate, vice president and chairman of the secretariat of the National Council of the National Front of the GDR; pp 531-536]

[Text] Allied With All the Forces of the People

Results and experiences of the successful mass political efforts of the National Front of the GDR are presented with a view to the tasks to be resolved in the outcome of the 11th SED Congress, in terms of the election appeal. Collaboration, based on trust, among the parties and mass organizations of the Democratic Bloc, the National Front of the GDR and the people's representations--an outcome, tested in life, of Marxist-Leninist alliance policy.

[Summary of article by Dr Norbert Kaluschke, political affiliate in the SED Central Committee; pp 537-542]

[Text] 17th CPCZ Congress Stakes Out a New Stretch on the Road

Pointing to important changes in the life of the CSSR and in the world, the highest forum of the Czechoslovak communists gave an accounting for the construction of the developed society while analyzing the experiences gained throughout. What tasks have to be resolved during further advances under changed conditions, and how is one to meet the supreme obligation of contributing to the prevention of the danger of a nuclear inferno, to securing a peaceful prospect for mankind--that was the towering topic in the deliberations and resolutions of the party congress.

[Summary of article by Political Scientist Walter Neumann, political affiliate of the SED Central Committee; pp 543-548]

[Text] Cuba's Communists Adopt High Goals

The successful balance-sheet for what the Cuban people created under PCC leadership and under very complicated international conditions as well as the new requirements, born by a high sense of responsibility, for the further development of the socialist island of freedom in America demonstrate this: With sound optimism and firm confidence, Cuba, a solid member of the socialist community, is going to continue in making its contribution to the strengthening of socialism and the safeguarding of peace.

[Summary of article by Dr Werner Gerth, head of the workers' youth department of the Central Institute for Youth Research under the GDR Council of Ministers; and Dr Leonhard Kasek, deputy chief of the same department; pp 549-555]

[Text] Youth and Creativity

Coping with the scientific-technical revolution is a task of revolutionary importance for the young generation today. Meeting this demand, as raised by the 11th party congress, necessitates developing and using the creative abilities of the young people while addressing their abundant interests in science and technology. What inferences are derived from it for the management activities in schools, enterprises, and institutions, so as to tap all potentials for creative scientific-technical efforts in spotting special gifts in good time, for instance, and fostering them in a comprehensive fashion?

[Summary of article by Dr Wolfgang Herger, SED Central Committee member and department chief of the SED Central Committee; pp 556-561]

[Text] Preserving the Peace, Committed to the People

Preserving the peace--the most important task of our age--also is served by our party's military and security policy. Supported by the people's trust, our party created a reliable defense system for our socialist fatherland as part of the socialist defense coalition. Aware of its responsibility, our people is thereby making an important contribution to safeguarding peace on the dividing line between the aggressive NATO and the socialist defense coalition--true to its obligation to do everything possible so that never again will war emanate from German soil.

[Summary of article by Dr Helga Kanzig, instructor at the Institute for the History of the German Workers Movement, Academy of Social Sciences, SED Central Committee; and Prof Dr Rolf Richter, director of that institute, pp 562-566]

[Text] Plebiscite of Historic Scope

The Saxon plebiscite and its pervasive effects were a revolutionary victory of the people of historic scope. While taking the lessons of history to heart, the economic roots of imperialism were eradicated under SED leadership, the foundations were laid for developing a socialist economy, and a decisive contribution was made for peace in Europe.

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POLITICS

GERMAN DEMOCRATIC REPUBLIC

EINHEIT EDITOR ASSESSES 11th SED CONGRESS. PROSPECTS

East Berlin EINHEIT in German Vol 41 No 6, Jun 86 (signed to press 13 May 86)
pp 483-491

[Article by Prof Dr Manfred Banaschak, member of the SED Central Committee,
chief editor of EINHEIT: "Related to the Present and Oriented Toward the
Future"]

[Text] The highest forum of our country's communists has convened. Aware of its obligation to its own people and the international revolutionary movement and of its responsibility constructively to contribute, on the side of the Soviet Union and in the community of the socialist countries, and together with all reasonable and peace-oriented forces in the world, to solving the most urgent problem of humanity, the preservation of world peace, the 11th SED Congress has pronounced the word that guides us. Thereby it emphatically confirmed that our Marxist-Leninist militant alliance is fully meeting the demands of the era--with regard to the requirements in the struggle for safeguarding peace as to our further economic and overall social development.

Peace and strengthening socialism for the good of men informed the party congress negotiations like a red thread. Relying on the ideological unity and organizational cohesiveness of our ranks, it became a mighty demonstration of the party's will and capacity to do all it can, in conformity with its vanguard mission, in further advancing purposefully along the course on which we have made such good headway in the 1970's and, thus far, in the 1980's. By its resolutions it is initiating a qualitatively new phase in the process of implementing our party program, in the shaping of the developed socialist society, marked by the creative application of Marxism-Leninism. The tasks to be solved throughout, the goals to be attained, and the ways to be taken are accurately sketched out in the Central Committee report by general secretary Comrade Erich Honecker, which attests to the vitality of the Marxist-Leninist ideas also on German soil and expresses in a concentrated fashion our party's real leadership capacity for translating those ideas, as consistently as creatively, into action.

And what is of the most crucial weight for the future of our country as well as the community of socialist states on the whole is this: The party congress at once became an impressive manifestation of our unity and irrevocable bond with the CPSU and the other fraternal parties, a manifestation of the desire,

in accordance with the objective need for speeding up the solution of the tasks confronting all of us, further to intensify the collaboration among the fraternal states in politics, economics, science, and technology and to face the new dimensions in socialist integration. The attendance of a CPSU delegation, headed by Central Committee General Secretary Comrade Mikhail Gorbachev, at the work of the party congress and the friendly meetings with communists, with working people in our republic, were a persuasive demonstration, noted world-wide, of these very fraternal ties between our two countries and of the firm militant community between their Marxist-Leninist parties. "In the meeting between the SED leadership and the CPSU delegation we jointly came to the realization," Erich Honecker announced, "that the 11th SED Congress and the 27th CPSU Congress have demonstrated the full agreement of views and positions of our parties on fundamental questions of socialist and communist construction and of foreign policy, the solidity of our fraternal alliance. Tribute was paid to our all-round cooperation, and steps were agreed on for deepening it further. Without such close cooperation among all fraternal countries and raising its level by a whole magnitude, the complicated tasks the times are assigning us cannot be resolved."¹

The presence of 143 delegations of communist and workers parties, revolutionary-democratic parties and organizations, national liberation movements and socialist and social-democratic parties from all five continents turned the locale of the convention into a rostrum of proletarian internationalism and anti-imperialist solidarity, while it also expressed the breadth of the peace struggle movement. It underscored the international reputation of the SED and reinforced our assurance of its being on the correct path.

The orientation for it, given in the party congress report and its other documents, is the outcome of a careful analysis of what has been achieved and what needs doing, the result of a conscientious examination of what we have to do to preserve peace and further shape the developed socialist society in conformity with the concrete conditions and specific requirements in our country and how it has to be done in line with those very conditions in order to promote our political stability and economic dynamics effectively, through which we can then forcefully further direct, and comprehensively, the course that aims at the well-being of the people.

Entered into it have the deliberations and recommendations of the broad public debates, carried on for months in the perimeter of the party congress, on all essential domestic and foreign policy issues. That not only attested to our flourishing democratic life, it also expressed an essential feature of our party working the party congress and its preparations: the firm bond with the people from which it evolved, of which it is a part, and to which it feels committed as the supreme pretext for action. Experiencing such a policy in ordinary terms, finding out that the party stands by the people and that, in the struggle for peace and for high growth rates in the economy, it focuses with all its energy on the well-being and happiness of the people, turned the party congress, in the broadest sense of the term, into a forum of all the people and effectively turns its resolutions everywhere and its clear political course into general norms for action—as illuminated by the commitments of the Peace workers, in the election movement, and in many other initiatives in the socialist competition.

Not only did the party congress deliberations take place in public, through broadcasting, television, and the press, even in its periphery, through the resolutions of the 9th, 10th, and 11th Central Committee sessions and through the publication of other analytical materials, the entire population was drawn into debates on what has been accomplished and what remains to be done. For instance, the report submitted to the Politburo by Erfurt Bezirk Management, "Experiences, Results, and Conclusions on Conducting Public Debate in Preparation for the 11th SED Congress," was as fully published, verbatim and in all detail, as was the report on the course and results of the confident individual conversations with all members and candidates and the Spremberg Kreis Management report on experiences and results in conducting the party elections, the report on parents' advisory council elections for the 1985/86 school-year, and other revealing materials and analyses.

Everyone could thereby make himself familiar with the accomplishments achieved and with our country's developmental problems and their discriminating assessments by our party, with all the domestic and foreign policies in their reciprocal interconnections and requirements. Moreover: Everyone was called upon to submit his own ideas on it, his recommendations, criticisms, and suggestions for decision-making, and hence for party congress resolutions. And that was done to the nth degree. Thereby precisely resolutions could finally be taken in which millions and millions recognize themselves, and a policy was defined with which, it being their own policy, they can fully identify.

That is a very important criterion in defining this very party congress. It is the fact that the party congress itself by no means marked the start of the debate. Rather, through the democratic process of getting set for it "in place," debates were being held most concretely for months, in creative restlessness, top achievements were performed with the idea of rapidly generalizing them, inadequacies and the necessary steps for doing away with them were frankly discussed in any given field, in a businesslike manner, and right there on the spot it was frankly being explained how things that did not yet work could be straightened out. All developmental problems were thoroughly analyzed and this especially in places where most could be done for coping with them. That fact produced the prerequisites for that at the party congress, drawing inferences from it, the strategic orientation could be issued for our further advances based, as according with our possibilities and requirements, on the vote from the entire people.

Each at His Place and in Full Responsibility for the Whole

Tasks, approaches and goals are clearly outlined on the basis of the party program, the experiences gathered in the process of its implementation, and the foreseeable long-term requirements. What matters now is that whatever was found to be necessary in the outcome of the big public debate, the party congress resolutions, become an action program for everyone under ordinary conditions, and that therefore one sees to it that the communists, and in fact all the citizens, absorb the richness of ideas in the party congress documents and derive consequences from them for what they themselves do--each at his place and in full responsibility for the whole.

Getting set for the party congress was very arduous indeed. Magnificent accomplishments were achieved and obligations were met that strengthened our economy and with it also the foundation for the goals staked out far and wide by the party congress. Nothing, however, would be more erroneous than letting precious time pass poorly used for reasons of just catching our breath for once. We have no time to lose. Neither the peace struggle nor our housing construction program, our scientific-technical progress or our focusing on more high-grade consumer goods tolerate a standstill or climbing down a peg even in the demands we have to make on ourselves. On the contrary, each day, each hour counts and wants to be used so that an optimum effect derives from it for implementing the party congress resolutions as they serve the well-being of the people, so that thereby each can with a good conscience stand up before himself and before society. And that means, first of all, that agreeing with the resolutions of necessity implies a personal commitment on one's own job. Word and deed together are wanted. And it means, secondly, practicing study, discussion, and implementation in unity, as it were, directly, that is, tackling without any delay the transformation of the resolutions, the implementation of the interests of our socialist society and each of its citizen that they express.

Hence, what matters in the public debate on the 11th party congress directive for the five-year plan on economic development up to 1990 is that new suggestions and initiatives arise from it for the mighty economic performance improvement needed. In every way it will be necessary to bring the abilities, experiences, and creative potentials of the working people into effect so as to combine still more effectively the tempestuously advancing scientific-technological revolution with the advantages of socialism and, through a broad application of the key technologies, stably secure our dynamic economic growth. Reaching and maintaining a technological performance status that puts us into the front rank by world standards is a task which allows no delay to be solved. Any loss of time would mean backwardness and forfeiting market benefits, profits and, hence, the range for more social progress. The economy of time is something we want more and more inclusively than ever; strict attention should therefore be given to it in the process of exploiting the party congress in that its resolutions are considered everywhere within their contexts and with the requisite consequences for one's own field of work, while one immediately approaches their being converted into action.

That makes high demands on the leadership activities of the party organizations, especially on their central concern, their ideological work. Commenting on the importance of this responsible work, Friedrich Engels wrote: "Whatever starts people moving must pass through their heads."² So that their heads get them started as it conforms to the very own interests of the workers class and all working people, they have to be familiarized with the very party congress resolutions that serve precisely those interests. So one must demonstrate to them how tried and tested the political course for solving present and future tasks, in accordance with new requirements, has consistently been, so that they will commit themselves, deliberately, knowledgeable of the social givens and interconnections, and with all their hearts, to the implementation of this policy as a most personal concern.

Such conscious action presupposes understanding the party's overall policy. That, however, cannot be made out if one, say, explores only those passages in the party congress documents that directly address one's own field of work. High achievements in one's field of work arise, rather, from becoming aware of one's own responsibility in that one comprehends the essential processes in their own contexts. And that means one will have to take the trouble of penetrating the essence and totality of party policy, as captured in the party congress resolutions. And no one can do that job for anyone else. It would be futile trying to reflect the whole wealth of ideas of the party congress in all reciprocal determinations in an article such as this one. That would bound to remain superficial. Even so there are no doubt major lines that open the approach to the overall policy, are central to exploiting the party congress, and evoke consequences for ideological work.

Placed on one general denominator, the strategy issued by the party congress is in a comprehensive sense aimed at the well-being of the people and so, first of all, at the preservation of peace and, secondly, at our united economic and social policies connected with it organically, being our main battleground.

The Categorical Imperative of Our Time

"As the most important task we regard the preservation of peace and, hence, the prospects for a secure future,"³ that way Erich Honecker explained the orientation the party congress had issued. In view of the immense destructive power of today's weapons systems, there is as you know no alternative for the survival of humanity but peace. The atomic mushrooms of Hiroshima and Nagasaki have radically reformulated the problem of war and peace. Today the alternatives are either peaceful coexistence or non-existence. No third one exists. Nuclear war knows no loopholes; no one could save himself from it anywhere. The survival of any human civilization as all our efforts in carrying on the shaping of developed socialism, that is to say, for a happy life study of human dignity, have peace for their compelling prerequisite. And that is germane to socialism because here, after all, there are no classes or strata or groups that would want war or armaments.

"Our policy has no booby traps," said Comrade Mikhail Gorbachev. "We are not offering a clenched fist to the West but an open hand. I wish to stress: We are seeking ways for mutual understanding and arms limitation, not from weakness. We need peace, but not only we do, all do! Our policy is determined by the care for the survival of mankind, perhaps the only civilization in the cosmic spaces of the galaxies."⁴ And as if to undergird that position, he added a new initiative to this comprehensive program by the Soviet Union for liberating mankind from all atomic weapons up to the year 2000. It is aimed at significantly reducing all components of the ground forces and the tactical aircraft of the European states and the U.S. and Canadian forces deployed in Europe. This new initiative complements the comprehensive peace program of the 27th CPSU Congress and is of special importance because it takes the wind out of the massively seductive rigged up sails of those who want you to believe Western Europe could not renounce nuclear weapons because it would lose in security due to the armed forces and conventional arms of the Warsaw Pact states and "succumb to an overwhelming armada of Soviet tanks." Mikhail Gorbachev's proposal on reducing conventional armed forces from the Atlantic to the Urals has rendered this argument of the NATO politicians meaningless.

In total conformity with the conclusions of the Soviet communists, that objective conditions had evolved in the world arena under which the confrontation between capitalism and socialism could proceed solely as peaceful competition and peaceful rivalry, Erich Honecker affirmed in his Central Committee report: "A nuclear war would see neither victors nor vanquished. Against the U.S. intent of crowding space with lethal weapons all those are raising their voices in the world who have a sense of responsibility for their peoples and for humanity. Through a policy of outcome-oriented and businesslike dialogue and cooperation, the GDR is going to go on and advocate the recovery of the international situation and a return to detente."⁵ The safeguarding of peace also has been and remains the key issue in the relations between the two German states, which bear a special responsibility for it--with regard to the lessons of history as well as in view of the fact that they border on each other, on the dividing line between the strongest military coalitions mankind has ever known, to which they belong respectively.

There is no lack of indications to that effect in Bonn either. Not words, however, but deeds are decisive. As to deeds, the FRG government evidently is abetting the destructive U.S. policy, thereby hampering its relations with the socialist states, including those with the GDR, and hurting the interests in security and cooperation in Europe. What is needed, however, is an earnest intention, confirmed by action, not to remain stuck in the clichés of confrontation and the seeking of military superiority. The logic of political thinking compels us--as Mikhail Gorbachev and Erich Honecker keep insisting--to learn to live and get along with each other, whether we like each other or not. That has consequences of its own. It demands "approaching things in a new way and finding new forms and procedures in the relations between the various social systems, states and regions."⁶ It does in no way mean, however, stopping the ideological confrontation--least of all with the star warriors and their ideological spokesmen. The needed continuation of the policy of an outcome-oriented and businesslike dialogue and cooperation rather also calls for intellectual efforts at cogently contending for peace and socialism, for our ideals and values by arguments stemming from our theory and practice and enforcing the idea of peaceful coexistence against confrontation and provocations.

If in conjunction with the greater war danger and the need to act against it jointly our party's contacts with social-democratic and socialist parties have increased, that does not do away the many differences of principle in socio-strategic, ideological, and many practical-political issues. There is nothing new in this; accepting it only means being honest. New and significant however is that in spite of these differences, from bitter experiences of history and as a precept of our era, above and beyond all that separates us, we have found each other as partners speaking together while they respect each other. And not only that, but acting too, as documented by the joint SED-SPD initiative on setting up a chemical weapons-free zone in Central Europe.

Our analyses differ mainly with respect to the future of mankind and how to get there. In the final analysis, no one would reach that future--whatever we may say about it and about how to get there--unless we keep the way open for us and for the next generations by preserving peace. "Communists and Social Democrats are important partners in the struggle for enforcing a policy of visual judgment, reason, and realism in the interest of peace, regardless of existing

ideological and socio-political differences of opinion,"⁷ as Erich Honecker has put it. This is the task that decides everything, the one we are addressing fully, and to which we subordinate all other questions of intellectual confrontation that must be carried further.

Our Major Battleground

The most important domestic policy guideline organically linked with the peace struggle pronounces this: "Our main battleground is the unity of economic and social policy."⁸ For more than one and a half decades already it has stood up under most diversified conditions as the solid foundation for political stability and for the firm ties between the people and the ruling party, as it lets each of us experience the humanism of our order under ordinary conditions and precisely thereby motivates effectively for conscious action. Our own experiences as those of the fraternal parties, the party congresses of which have, for all intents and purposes, issued identical resolution guidelines, indicate that this does not amount to some sort of model of ideas that may or may not be practiced, but to a policy that logically derives from the social purpose of socialism, which must fully be brought to bear in the process of shaping the developed socialist society.

The five-year plan directive is logically based on preserving the unity of economic and social policy as the nucleus of our further economic strategy because precisely thereby impulses are released that are needed for securing economic growth. In his Central Committee report Erich Honecker summarized the nature and substance of this strategy in ten key points. The tasks resulting from it for the various sectors are shown in detail in the five-year-plan directive and in the speech on it by Willi Stoph. For the party organizations, the state and economic management organs, the trade union organizations and the youth association the point now is to derive from it concrete conclusions, campaign programs in the truest sense of the word. The tasks to be resolved with a view to the turn of the millenium, mind you, truly amount to conducting a battle, one, mainly, over scientific-technological progress, and this in magnitudes according with the observation in the Central Committee report that the scientific-technical revolution has entered a new phase. This is a statement on an objective state of affairs of fundamental importance that demands penetrating consequences. Precisely that is what the party congress issued in the form of the economic strategy it conceived.

That is a cohesive conception based on the universal inevitabilities of socialist construction and on the experiences of a policy proven in practice, which aims at organizing further economic and social progress by the criteria of what will be required today and tomorrow. Under a transcending aspect, as it were, this strategy, in conformity with the possibilities and necessities of our country, aims at linking the advantages of socialism still more effectively with the scientific-technological revolution, and that means, with the truly revolutionizing insights and procedures that constitute the new phase of its development and are pointing into the far distant future.

The key term here is key technologies--one of the terms most likely used most often during the party congress, one handled most expertly not only by the scientists, but by the workers and cooperative farmers as well, especially by

the young people. That is a most auspicious sign. It indicates we are facing the race against time and the requirements of an internationally ever faster productive forces development, relying especially on youth. For youth owns the future. That future is determined by socialism. To youth it is going to mean as much happiness as the young people themselves will forge in the revolutionary struggle and as masters of science and technology, and as the elders pave them the way and enable them for it.

Coping with the scientific-technological revolution is a task of truly revolutionary importance today. And we have no other choice, there is no other way. Our country's future can be based solely on comprehensive intensification, by way of science and technology mainly. At the proper time and presciently our party has issued the orientation for it. It is found already in the program issued by the ninth party congress, and it has been extended and rendered more precise on the 10th and now the 11th party congress in line with the experiences gathered and as a rapid reaction to newly ripened problems. And this does not involve merely some new emphasis or such, some refinements or nuances, it is a scientific-technological transformation that has to be coped with by 1990 and beyond, till the year 2000. Microelectronics, electronic computer technology, computers, robots, CAD/CAM, modern information technologies and laser technology are synonymously defining all that.

Of benefit to us here is that we have created a well functioning system of a socialist planned economy proving efficient, dynamic, and flexible with the combines as its spine. They are standing up brilliantly as a modern form of socialist large-scale production management under the conditions of intensification. They increasingly become the driving force for the needed high dynamics in science and technology and for the economic utilization of their results. We are well prepared thereby for the approaching qualitative changes in our economy, for the ever more clearly indicated profound transformation in the technological field, and for the already ongoing breakthrough to a fundamental modernization of the productive forces based on an all-inclusive use of microelectronics.

The party congress has sharpened our awareness for it. It has outlined the picture of the GDR of tomorrow--without thereby slighting the everyday conditions of today, however. Its resolutions are related to the present and oriented toward the future simultaneously. What with all its needed orientation to science, techniques, and technology it left no doubt about their not being ends in themselves, but that what always counts are the people and the satisfaction of their needs. Yet precisely because this is so and cannot be otherwise in a socialist country and for a Marxist-Leninist party, we attach such a great importance to the scientific-technological progress as the crucial foundation for the continued prosperity of our country's citizens.

That is a task the solution of which relates not only to the development of the embodied-material elements of the productive forces. The new phase of the scientific-technological revolution, marked by high-tech development, requires at the same time a close link with the social structures, with man, his technical skills, education and culture, and also with nature. It makes high demands on man who, with all the computers and robots, remains the chief productive force and, through his energy and initiative, the master of the scientific-technological progress.

With the qualitative upgrading of the embodied-material elements of the productive forces, however, the embodied-material foundations of man's place in production also change. That is to say, even the socialist production relations are necessarily subject to constant development and change. Coping with the scientific-technological revolution then also is a high demand made on the party's leadership activity also to shape the production relations deliberately so that they offer the modern productive forces the most favorable developmental chances on behalf of strengthening socialism.

Our party has met this demand. That is attested to by the experiences of the road behind us as by the 11th party congress orientation for further advancing. Remember the formation and consolidation of the combines, the perfecting of management, planning, and economic stimulation, especially under the aspect of encouraging scientific-technological progress, the linkage between science and production, and also the further development of rural cooperative work, the extension of cooperation relations. All these are concrete forms of expression of changes in the socialist production relations brought about deliberately on behalf of productive forces development. It is understood that the scientific-technological transformation within the five-year plan and beyond up to the turn of the millenium, as outlined at the party congress, requires the perfecting and qualitative further development of the socialist production relations, of the social relations, of the character and forms of labor, and of the working and living conditions, to ensure the needed economic growth on behalf of all citizens' prosperity and be of benefit to their personality development.

This reveals that our party's economic strategy, as conceived with an eye to the year 2000, implies a whole conception for our ideological work. It must, first of all, provide an understanding for this strategy and each individual's readiness and ability to draw the inferences pertaining to him wherever he stands. Secondly, the point is to push ahead the practical organization of scientific-technological progress through our party organizations' clarifications and real leadership capacity. And thirdly, what matters finally, especially in the interest of high efficiency in the practical organization of the scientific-technological progress, is to create full awareness of its social and ideological content.

This complex of questions undoubtedly will still gain in importance as production is becoming more and more subject to scientific penetration, which turns the economy increasingly into a materialized science and more and more affects the interactions of the economy with the various social sectors. This involves the questions about the link between the socialist and the scientific-technological revolution, about the meaning of science and technology, about the relationship between man and technology, between scientific-technological and social progress, the changes of the character and the forms, the future of labor and the relation between labor and leisure and meaningful leisure time activities, the role and social prestige of science and the responsibility of the scientist in our time, all the way to the question about the historic dimension of the scientific-technological revolution. These are ideological, social-strategic questions raised by the revolutionizing development in science and technology, a central social science concern, while dealing with them is by no means merely of academic interest, but shapes men's attitude toward scientific-technological progress and, hence, toward consciously mastering it.

If ideological work is called upon further to elevate its mass effectiveness and ideological substance, that applies principally to all the questions pertaining to the economic strategy and, in particular, to the scientific-technological revolution and its organic link with the advantages of socialism and with the struggle for peace and disarmament. Responding to them in such a way that the thinking, feeling, and conduct of the citizens are determined by it, certainly is an ambitious task, but a beautiful one nonetheless, because it serves a good cause, the party cause of ours, that policy that was largely shaped by Erich Honecker and is scientifically sound, proven in life, and politically necessary--a policy which, alongside the Soviet Union and in the community of the socialist states, serves peace and is directed on the whole at the well-being of the people.

FOOTNOTES

1. Erich Honecker, "With the Soviet Union on a Sound and Certain Course," *NEUES DEUTSCHLAND*, 8 May 1986, p 3.
2. Friedrich Engels, "Ludwig Feuerbach and the End of Classical German Philosophy," *Werke* [Works], Vol 21, Dietz publishing house, Berlin, 1962, p 298.
3. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den XI. Parteitag der SED" [SED Central Committee Report to the 11th SED Congress], Dietz publishing house, Berlin, 1986, p 6.
4. Mikhail Gorbachev, "Grussansprache an den XI. Parteitag der SED," Dietz publishing house, Berlin, 1986, pp 29-30.
5. Comrade Erich Honecker, "Bericht . . .," *op. cit.*, pp 10-11.
6. *Ibid.*, p 10.
7. *Ibid.*, p 91.
8. *Ibid.*, p 26.

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POLITICS

GERMAN DEMOCRATIC REPUBLIC

PEACE, DIALOGUE CALLED PRIME FOREIGN POLICY GOALS

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pp 525-530

[Article by Guenter Sieber, member of the SED Central Committee, director of the International Relations Department of the SED Central Committee: "Working Together for Peace"]

[Text] The 11th SED Congress wholly stood under the aegis of carrying on with the very course that for 15 years has been governing our successful party policy. Attention was concentrated on those matters which in the continued shaping of the developed socialist society up to 1990 and up to the year 2000 will become of central importance. The top forum of the 2.3 million communists corroborated that the SED will, consistently and resolutely, continue to carry on its course for the well-being of the people and the strengthening of socialism, which also makes a contribution to the safeguarding of peace.

Of great political weight and the basis for our optimistic approach to the ambitious tasks of the present and the future is the fact that the 10th party congress resolutions were fully met. At the 11th party congress, Comrade Erich Honecker announced: "At a time marked by harsh international conflicts and in a world which, after a period of detente, drifted into a situation of the sharpest international confrontation, we have reliably steered our ship through the surf."¹ And so our socialist German state, on the dividing line between the two different social systems in Europe, the two largest military alliances, was politically stable and economically dynamic even under more complicated conditions.

That is, not last, attributable to that our party has recognized and tackled those tasks in good time that are due to the challenges of our era, particularly to the scientific-technological revolution. Many of the fraternal parties attending our party congress paid special tribute to that. We are proud of what Mikhail Gorbachev, general secretary of the CPSU Central Committee, said, "that the cause of socialism is making sure headway on German soil."²

Part no doubt of the successful balance-sheet on the implementation of the 10th party congress resolutions also are the activities of the SED and GDR on the international level. The SED has made its own unique contribution to the

fraternal socialist states' common struggle for the safeguarding of peace, their coordinated policy on enforcing the course of peaceful coexistence, and in the struggle by broadest popular forces for creating a coalition of reason and realism for a recovery in the international situation. To do all the more for peace now remains the supreme maxim of our acts.

For implementing the foreign policy program of the 11th party congress we may assume that new opportunities offer themselves in the struggle for a turn in the world political situation--even though its exacerbation continues. The CPSU's initiative-rich approach to world political issues and its comprehensive programs for freeing the world from nuclear weapons up to the year 2000 and for creating an international security system have opened a new phase in our peace policy.

The 11th party congress has vividly demonstrated that the SED's successful future-oriented policy in the domestic and foreign policy field also raised further the respect for our party in the international arena. The 143 foreign delegations attending represented a total of 89 communist and workers parties, 34 revolutionary-democratic and other democratic parties and movements, 19 social-democratic and socialist parties, and the periodical PROBLEMS OF PEACE AND SOCIALISM. A special expression of the high regard, international recognition, and solidary bonds with our party was the attendance of a CPSU Central Committee delegation headed by its general secretary, Comrade Mikhail Gorbachev. Thus the 11th party congress became a forum for proletarian internationalism and anti-imperialist solidarity and, at once, a demonstration of the consistent desire by the SED to take an active part in the joining of all forces of reason and realism on behalf of the survival of humanity.

The Decisive Task--Securing the Peace

For the international policy of the SED and of our republic the 11th party congress formulated priority goals and directions borne by the deep will to peace by our party and people. They accord with the humanistic essence of our socialist society. Decisions of great consequence are being made in our times about war and peace, about the destiny of mankind. Either one will consistently carry on with the positive promptings of the summit between Comrade Mikhail Gorbachev and U.S. President Ronald Reagan in November 1985 in Geneva, which could lead to a gradual termination of the arms race, the reduction of the war danger, and the recovery of the world political climate. Or the most aggressive forces of the imperialist system, still staunchly seeking a military superiority over socialism, manage to establish qualitatively new mass destruction systems on the earth and in space, which would push mankind still more toward the brink of a nuclear inferno. Therein lies the question that transcends all others, on the answer to which depends today the securing of world peace and thus, the survival of humanity. For that reason the 11th party congress announced as its supreme precept: "Consistent efforts for the activating and joint action of all forces of peace, reason, and realism with the purpose of averting nuclear war through effective steps in a... limitation and disarmament, preventing the militarization of space, abolishing nuclear weapons, and surmounting the confrontation by the... operation among the states."³

How urgent the implementation of that objective is became once again dramatically evident on the days of the 11th party congress in connection with the air raids by U.S. aircraft on Libyan towns. The acts of these U.S. and NATO circles that have a say-so in it, and which have clearly been exacerbating the international situation through their arms buildup and confrontation course since the early 1980's, entail adventurism and irresponsible toying with the risk of a nuclear world conflagration. By these aggressive acts the situation in the Mediterranean that has been so tense for years anyway became extremely aggravated. Together with our Warsaw Pact allies, our party and state condemned these peace endangering acts and called for calmness, reticence, and a sense of responsibility on behalf of world peace. This situation once again made emphatically clear how fragile world peace is and how fast a local conflict can turn into a world conflagration.

Our approach to international relations is borne by a responsibility for the future of the socialist society in the GDR. And more than that: As a reliable member of the socialist peace alliance we feel co-responsible for the fate of all mankind, its survival, and for ensuring that our planet remains inhabitable. For that reason, so the party congress resolved, the SED and GDR will continue their policy of dialogue and joint actions to prevent a nuclear inferno and for a peaceful coexistence of the peoples guided by reason, realism and a sense of responsibility for a peaceful future on our planet, doing so with all their strength. And here we assume that national security can no longer be guaranteed except within the scope of stable international security. Instead of the unreasonable and illusory desire for military superiority over socialism, which the most aggressive forces of the imperialist system keep exhibiting, a sense of responsibility and equanimity are needed in international affairs. A new approach is called for in political thought and action in the international arena. Wars and armed conflicts as means of politics are no longer justifiable.

In Berlin, the GDR capital, the city of peace on the dividing line between socialism and capitalism, the CPSU Central Committee general secretary announced a new USSR initiative: He came up with the proposition to agree on a significant reduction of all components of the ground forces and tactical aircraft of the European states and relevant U.S. and Canadian forces stationed in Europe. Territorially, the region for such a reduction is to range from all of Europe from the Atlantic to the Urals. This important initiative met with undivided agreement from all party congress delegates. In his concluding speech, Comrade Erich Honecker affirmed: "We fully agree with our friend and comrade Mikhail Gorbachev who from the rostrum of our party congress most impressively confirmed the Soviet Union's consistent peace policy, the comprehensive program issued by the 27th CPSU Congress to rid the world of all atomic weapons by the year 2000. In its foreign policy the GDR will explore all possibilities to implement the goals of that program and ensure peaceful prospects for humanity."⁹

The Basis for Success--Fortifying the Socialist Fraternal Alliance

The alliance with the CPSU and the USSR, with the fraternal parties and peoples of the socialist community, and with all socialist countries remains the massive foundation for further advances in implementing our policy for the good of the people and for peace. The states of the socialist community have

entered a new, higher stage of their development. The tasks in this developmental stage are of great consequence and are determined by the requirements for the further shaping of the socialist society in the various countries and those for scientific-technological progress in the 1980's and 1990's, and by the requirements for their joint struggle for the all-round strengthening of the might and international influence of socialism.

The 11th party congress documented our resolve further to deepen the relations with the parties and states of the socialist community, especially with the CPSU and the USSR, on party, governmental, and social levels and to take an active part in the implementation of the CEMA comprehensive program and in further consolidating the unity and cohesion of the socialist community. Already at the 27th CPSU Congress Comrade Erich Honecker had affirmed this: "In the long-term development and cooperation program between the GDR and the USSR in the fields of science, technology, and production up to the year 2000 we find a crucial basis for carrying on our united economic and social policies in the second half of the 1980's. Our lofty targets compel a close link between the intellectual and material potentials. Our collaboration with the other fraternal socialist countries has also been contractually agreed upon up to the turn of the millenium. We always regard our collaboration as an essential contribution to increasing the strength of the entire socialist community and further strengthening the material foundations of its peace policy."⁵

The meeting between the SED leadership and the CPSU Central Committee delegation participating in the 11th party congress confirmed the full agreement in views and positions on the basic issues of socialist and communist construction and in foreign policy. The following words by Mikhail Gorbachev during our party congress attested to that: "We cannot imagine the future of the Soviet Union without close collaboration with the GDR and the other fraternal countries. Not only because our internationalist conviction requires it of us, but also because without this collaboration the complicated tasks the times assign to us cannot be resolved."⁶

The 11th party congress could take it for granted that the fraternal parties and states are acting jointly on the basis of their correlated and coordinated foreign and security policy, that they altogether have created the prerequisites for expanding the economic, scientific-technological, and political potentials of socialism in a new quality, and that they will continue to ensure the defense of socialism on any given necessary level. Also with the other socialist countries the GDR will expand and deepen mutually advantageous collaboration on behalf of ensuring peace and strengthening socialism and international solidarity.

Active Anti-imperialist Solidarity

Our party and our state always attach great importance to the relations with the peoples fighting for their national and social liberation and with the liberated states. The 11th party congress endorsed this active international solidarity with those peoples and the GDR's interest in further developing equitable and friendly relations with the countries in Africa, Asia and Latin America and with the parties and movements of national liberation. The states

and political forces in these regions are carrying on even under the most complicated conditions of the 1980's their struggle for renunciation of colonial independence and surmounting their underdevelopment, social backwardness, colonialist exploitation. In the nonaligned movement and its regional organizations they are working for favorable external conditions on behalf of their independent development. Just as the socialist states and the peace-loving states in the capitalist countries, they look at a world of peace as an indispensable prerequisite for it.

The heads of state and government in those six states that included the members of the nonaligned movement of India, Argentina, Tanzania, and Myanmar, as well as neutral Sweden and the NATO member Greece appealed to the peoples, parliaments, and governments around the world to halt the arms race and nuclear weapons tests, prevent the militarization of space, and abolish all nuclear weapons. These initiatives are fully supported by the USSR and the other socialist states. Our party rates the nonaligned movement as an important factor working for the recovery of the international situation.

The peoples of Africa, Asia, and Latin America are increasing their resistance against neo-colonial exploitation and the imperialist policy of force and are turning against the imperialist attempts at shifting the consequences of the capitalist crisis onto their countries. A high interest in the credit, trade, credit terms, and protectionism from the imperialist states and their financial organizations indebted the vast majority of the countries on their economies and ushered in serious consequences for securing their national independence, the consolidation of the democratization processes, their economic development, and the standard of living of the populations. The efforts by the imperialist states directed against these developments, especially against the nonaligned movement, against the socialist states, and their struggle for a new international order based on equality are given full support by our party and government.

The 11th party congress unanimously ratified a solidarity bond expressing an inextinguishable bond with all revolutionary, democratic, and peace-loving forces in the world. We shall continue to express our sympathy and firm solidarity with all the peoples that are fighting for freedom, independence, justice and human dignity, social progress and a peaceful future.

Policy of Dialogue and Collaboration

The 11th party congress underscored emphatically that the peaceful coexistence between the two social systems in the world has become a condition for the existence of mankind for which there is no alternative. Therefore, we and our state will continue to do what they can in extending on that basis our relations with the capitalist states.

The USSR is going to continue to contribute actively to reducing the war danger through a policy of result-oriented, businesslike dialogue and collaboration based on the generally recognized principles and norms of international law, and the mutual regard for the states' legitimate interests. While questioning and using any least chance for it, we remain a reliable and consistent partner in international relations. Many activities and negotiations in this respect already surfaced in years past. Only recall the long

meetings with the top representatives of Italy, Greece, Sweden, France, Japan, Austria, and Finland. Political, economic, and cultural relations have developed between the GDR and many capitalist countries. While this is so, our party and our state envisage many other possibilities for extending such relations, especially in Europe. That pertains to continuing the process that started in Helsinki, the negotiations in Stockholm and Vienna, the cooperation between CEMA and the European Community, and the collaboration for coping with global problems.

The initiative submitted in June last year by the SED and the SPD for setting up a general weapons-free zone in Central Europe, which was then picked up by the GDR and the CSSR governments and proposed to the FRG government, is an example for what steps are possible toward detente and disarmament. As such a step we also regard the proposal from the Palme Commission for setting up a no-war battlefield weapons-free zone in Central Europe. Ongoing talks between SED and SPD task forces are exploring the chances for implementing it.

The 11th party congress underscored that even in the GDR-FRG relations the preservation of peace is and remains the crucial question. Our approach to these relations is dictated by the responsibility that arises for both German peoples with respect to the lessons of history as well as to their geographical location in Central Europe, on the dividing line between both social systems and their military alliances. Since the end of World War II our party and people have let themselves consistently be guided by that never again must a war originate from German soil. The J-D government espoused that as well in the joint declaration of 12 March 1983. The FRG's participation in the U.S. nuclear armament program of SDI, however, does not conform to such an obligation nor does damage to the relations. Our party assumes that in the relationship between the two German states everything must be avoided that could cause extra burdens for the situation in Europe and in the world. That also calls for the recognition of the realities generated in Europe after World War II by all political forces in the FRG.

Our Commitment to the Communist World Movement

Working for a world of peace and for a life of happiness for the people of all states always proceeds from its internationalist responsibility as a firm and reliable part of the communist world movement. It has done intensive work in recent years in contributing to raising the weight of the revolutionary, democratic, and peace loving forces in the world arena. In April 1983, an international science conference, "Karl Marx and Our Time--The Struggle for Peace and Social Progress," was held, a noted event signaling SED efforts toward that objective. Its central idea, that the preservation of peace has become a question of survival for humanity, giving rise to far-reaching new questions for the communists' strategy and tactics, was reflected in the speeches by many foreign delegations at our 11th party congress.

Only the communist movement is a worldwide force of independent and equal parties in 100 countries. Inspired and linked by the ideas of Marx, Engels, and Lenin, and by the traditions and experiences of their struggle, these parties are seeking common goals: a peaceful world granting the peoples a free decision about their future, the way of national and social liberation

of socialism and communism. Today also the communists prove the selfless representatives of the interests of the workers class and all working people, of humanity's survival interests. Taking account of the self-reliance and accountability of each party as it prepares and implements its policy, the SED advocates the extension of bilateral and multilateral cooperation with the fraternal parties, by which the differences in approaching the tasks to be solved that result from national and international conditions must not infringe the common struggle and common responsibility.

In recent years our party has also further developed its cooperation with a number of socialist and social-democratic parties. The 11th party congress paid tribute to the greater commitment shown by the Socialist International and its member parties to halting the arms race on earth and in space and to active efforts on behalf of disarmament and detente. In collaborating with these parties the SED continues to proceed from that regardless of existing ideological and sociopolitical differences of opinion, communists and social-democrats are important partners in the struggle for a coalition of reason and realism.

Our peaceful foreign policy is aimed at ensuring favorable external conditions for the continued shaping of the developed socialist society and at bringing about a permanent world peace. The implementation of the foreign policy program of the 11th party congress undoubtedly will call for great efforts, and we always keep in mind the inseparable connection between domestic and foreign policy. The initiatives and obligations assumed by many work collectives toward implementing the party congress resolutions demonstrate this dialectic is being understood. Each communist, each citizen in our country has available a broad field of activities to make his personal contribution with new ideas and a sense of responsibility at his place of work, within his working circle, to the strengthening of our republic, the good of the people, and to peace.

FOOTNOTES

1. Comrade Erich Honecker, "Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den XI. Parteitag der SED" [SED Central Committee Report to the 11th SED Congress], Dietz publishing house, Berlin, 1986, pp 5-6.
2. Mikhail Gorbachev, "Grussansprache an den XI. Parteitag der SED," Dietz publishing house, Berlin, 1986, p 8.
3. Comrade Erich Honecker, op. cit., p 20.
4. Erich Honecker, "Final Speech at the 11th SED Congress," NEUES DEUTSCHLAND, 22 April 1986, p 2.
5. Erich Honecker, "Grussansprache an den XXVII. Parteitag der Kommunistischen Partei der Sowjetunion," Dietz publishing house, Berlin, 1986, p 15.
6. Mikhail Gorbachev, "Grussansprache . . .," loc. cit., p 17.

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GERMAN DEMOCRATIC REPUBLIC

AXEN'S SELECTED SPEECHES, ESSAYS REVIEWED

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[Review by Prof Dr Gerhard Hahn, director of the Institute for International Relations of the GDR Academy of Political Science and Jurisprudence, of book "Kampf um Frieden--Schluesselfrage der Gegenwart" [The Struggle for Peace--Key Question of the Present], by Hermann Axen, member of the SED Politburo and Politburo Secretary for International Relations, Dietz Verlag, East Berlin, 1986]

[Text] In view of the threat to the survival of mankind that emanates from the arms buildup and confrontation course of authoritative U.S. and NATO circles, "our party has considered and is considering it a decisive task," as Comrade Erich Honecker affirmed at the 11th SED Congress, "to offer its contribution to reducing the war danger by its dealings and conduct." (Footnote 1) ("Bericht des Zentralkomitees der Sozialistischen Einheitspartei Deutschlands an den XI. Parteitag der SED," Dietz Verlag, East Berlin, 1986, p 9) Like a red thread the struggle for solving this most important of all questions, the key question of the present, goes through the contributions to the volume put out by the Institute for Marxism-Leninism, the selected speeches and essays by the member of the Politburo and the secretary of our party's central Committee, Hermann Axen.

Put out on the occasion of his 70th birthday, the book contains articles written between December 1980 and July 1985. The speeches and essays highlight the unique political profile of this experienced Marxist-Leninist and ardent internationalist, the outstanding fighter for the cause of socialism and peace. These are topical documents reflecting the worldwide struggle of the forces of socialism and peace to avert a nuclear inferno and illuminating how in SED policy the unity of socialism and peace takes effect.

"To brave the tremendous storms of the international class struggle and steer a firm course, it is important for all communist and workers parties to incorporate the diversified, contradictory, and rapidly substituted processes of international politics correctly within the inevitable course of history" (p 217). Hermann Axen demonstrates this Marxist-Leninist approach to international development, e.g., through a detailed exploration of the causes, impulses, and main trends in the arms buildup and confrontation course of the most aggressive imperialist forces, especially those of the United

States. He leaves no doubt that because of that course the danger of an atomic adventure that would destroy all humanity has never yet been as great as today and concludes from it: "Humanity has to fight for survival in the truest sense of the word" (p 273).

Simultaneously, Hermann Axen proves this: The peace forces never before disposed of so mighty a potential to block the war-mongers. That principally includes the "might and further strengthening of the socialist countries rallied around the Soviet Union which have entered a new qualitative developmental phase" (p 310). Emphatically the need is stressed for the socialist countries, by way of intensification of their economies, to attain, step by step, a top position in labor productivity on the world scale.

"The Soviet state, as a socialist superpower engaged in a worldwide peace policy, proves more and more visibly a chief bastion of peace in the interest of all mankind. That accords with the nature of its social order" (p 186). Proceeding from this observation of principle, reinforced by persuasive arguments, Hermann Axen pays high tribute to the enormous achievements and sacrifices of the Soviet people, who mainly are to be thanked for that the states of the Warsaw Pact could obtain and maintain approximate military parity with NATO--an achievement of decisive importance for the security of the socialist countries and for world peace altogether. Also explained in detail are the initiatives of the USSR and the other states of the socialist community for reducing the strategic balance to a maximally low level, whereby effectively to heighten the security for all states and contain the risk of a nuclear catastrophe.

An "important factor working against the imperialist confrontation course is the worldwide peace movement" (p 292). The insurrection of mankind's conscience and the political activities on behalf of peace by the peoples on all continents, as the author brings out, constitute something novel in history as far as the scope and variety of campaign operations are concerned. The peace movement ranges "today from the workers class to the realistic circles of the monopoly bourgeoisie, right down into high clerical circles, the parties and parliaments of the bourgeois states, even into top military circles" (p 293).

As a factor of great weight for foiling the imperialist confrontation course Hermann Axen emphasizes the struggle of the national liberation movement and the active stance taken by the nonaligned movement in the world arena for peace and disarmament (cf. p 294). Increasing influence on safeguarding peace comes from the "real advances by the communist and workers parties in consolidating the unity of action in our movement and the broadest ties with all the forces in the workers', anti-imperialist, and democratic movement" (p 311). Finally, also the exacerbation of antagonisms and of the rivalry amongst the imperialist competitors, the fact that the most aggressive circles of U.S. imperialism, with their confrontation course, not only want to force socialism to its knees but, above and beyond that, are engaged in the subjugation, disciplining, and despoliation of their own allies, contributes to the formation of the real "foundation for a worldwide coalition of reason by all who oppose nuclear war" (p 353). "The working together of all these factors," Hermann Axen emphasizes, "of which the crucial importance lies in

a faster consolidation of socialism, bestows realism, continuity, and success on our socialist foreign policy" (p 312).

Today not only the three main revolutionary currents and imperialism are confronting each other (cf p 311). Added to it today is a new, implacable contradiction "between nearly all men on earth, including considerable segments of the haute bourgeoisie, who want to find peaceful solutions for the problems that concern them, and a group small in numbers yet politically and economically mighty of the most aggressive and reactionary forces of imperialism which, seeking profits and world domination, do not mind plunging the earth into an atomic inferno" (p 387). This antagonism, as Hermann Axen reiterates with a view to historic experiences in the genesis and struggle of the anti-Hitler coalition, constitutes "the objective foundation for forming a comprehensive front of adherents to peace and the broadest social forces into a worldwide coalition of reason and realism" (p 387).

In its close fraternal alliance with the Soviet Union and firmly anchored within the community of socialist states, our republic--in conformity with its responsibility as a cornerstone of socialism and peace in Europe, and located on the sensitive demarcation line from NATO--is making its contribution to socialism's coordinated peace policy. Principally by way of the slogan issued at the 7th SED Central Committee session in November 1981, on the deployment of U.S. nuclear first-strike weapons in Western Europe, to carry on the peace struggle now all the more, Hermann Axen demonstrates our party's ability to shape an active policy that is creative and is meeting higher demands for the recovery of the international situation and the return to detente. That holds true especially for the impulses emanating from that session for carrying on with the flexible policy of an outcome-oriented and businesslike dialogue and collaboration for drawing all forces together into a coalition of reason and realism.

A sound account of our policy of normalizing the relations between the two German states on the basis of the norms of democratic international law and by turning back revanchist positions in the FRG, the account of our initiative-rich efforts in arms limitation and disarmament and setting up nuclear-free and chemical weapons-free zones or corridors in Europe, all this persuasively reflects: Our republic is totally committed to fulfilling the maxim on which it was founded--to do all it can so that never again will war emanate from German soil.

Throughout the book directs our attention to the most significant consequence of our action: The all-round strengthening of the GDR is our chief contribution in the peace struggle to solving the key question of the present. That corroborates more than ever the realization that determines our policy and has often been reinforced in practice: "The guarantee for all our successes in domestic and foreign policy are and remain the consistent and creative application of Marxism-Leninism, the consolidation of the bonds between the party, the government, and the people, and the fraternal alliance with Lenin's party and country" (p 326).

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POLITICS

POLAND

CRITIC VIEWS MAJOR 'HANDICAPS' TO SOCIAL, ECONOMIC DEVELOPMENT

Warsaw POLITYKA in Polish 31 May 86 pp 1,6

[Article by Krzysztof Teodor Toeplitz: "Poland and the Challenge of Modern Times: Three Times -- How?"]

[Text] I am writing this article not to arouse total pessimism and wringing of hands but that my words might have a sobering effect.

Janusz Stefanowicz's article "Poland and the Challenge of Modern Times" published in issue 17 of POLITYKA and Ryszard Wojna's article "The Future Begins Today" in issue 18 are a stimulus for more serious and earnest discussion. I was especially pleased by two of the statements made by these authors. The first was Stefanowicz's remark that the idea of the shared challenges to civilization today have now become a more broadly accepted category for examining the problems of the future. The second was Wojna's idea that in Poland's present situation, thinking in terms of harmonious development is no longer relevant to our present reality and that this "harmonious development" must be replaced by selective development giving preference to certain areas and thanks to which we will be able to keep in touch with progress.

The rightness of both of these ideas does not however still the fears felt by many people in Poland that our country as we now see it is not in a position to meet the challenges of our time, that it cannot in any imaginable way overcome its technological, social and cultural backwardness and that we are now facing a situation in which Poland may be left on the fringes of European civilization. There must of course be other variants and much more modest solutions than those we usually consider, regardless of our backwardness, shortages and faults.

I present the issue in a very frank and perhaps even painful manner because I think that we are widely afflicted with an increasingly fruitless way of thinking which relies on making comparisons between the various fragmentary solutions that we employ with those used in other countries. These

comparisons which are usually correct and do predominantly indicate our backwardness, lack of organizational sense, social discipline and material resources, but they suggest that with a little prudence, good will and organization, we can catch up in most any area. However, such comparisons ignore the total problem, the key issues and the big picture which might lead one to the conclusion that the number of ways in which we have fallen behind, our shortages, mistakes, fears and distrust have all introduced a new quality into our situation, one which requires a new way of thinking, new solutions and another state of consciousness.

Let me point out one very obvious example: in most of our planning for production, exports and consumer goods, our goal is to achieve as much as possible in the actual area of activity and to regain our 1979 level of production within two or three years. To be more exact, if we plan our work well and are lucky, we will in a few years be back where we were in 1979. We are going backwards while the countries with which we are competing have for the last 7 years been building on to what they achieved in 1979. For them, that date is history while for us, it is the future.

In his article, Ryszard Wojna wonders whether it is appropriate or justifiable for us to make an example of the style of consumption in western states, whose symbols are the big store and the supermarket. He is certainly right and one only can ask whether we are really in a position to discuss our problems in such terms. Stefanowicz justly writes about the growing similarity of modern civilizations and the fact that they now have the same challenges and problems to solve. What does that have to do with us? Our declining participation in the world's division of labor and falling exports has, in spite of our best wishes, made us less and less true members of the world community. The subjective desire or the subjective conviction of the need for world integration (a noble and correct desire) cannot change the fact that the real measure of this integration is being a part of the world or European economic system and therefore the one area in which Poland is losing ground within both the capitalist and socialist worlds.

Many generations of Poles, the present one included, think like a person born into a good family who has made many mistakes, behaved in a scandalous manner and lost all fortune and opportunity but who still continues at least subconsciously to assume that his family will not throw him out and will somehow help him because he is a family member.

We feel that we are "born to" the cultural community and civilization of Europe, which has for centuries played a leading role in the development of the world and which still has an important role to play in world affairs and that for that very reason, we cannot afford to lose our European pedigree regardless of our internal conditions. This time, that is not entirely obvious. Our participation in this community depends not so much on our good wishes as on the facts of the real world such as economics, civilization and culture. The main challenge that modern times poses to the present generation of Poles is, in my opinion, that they make an effort to keep from being

excluded from the historical community in which Poland has spent most of her history and which for so many years was the natural context and environment for our actions. To prevent the degradation of losing any connection to European civilization, we must completely change the way we live, as painful as that might be.

There are several serious obstructions to changing the way we live. Most of these are internal in nature and it is up to us ourselves to overcome them. These are different types of barriers that affect the state of society, the economy, organization and that of culture and civilization. As a sum of dangers, all of them together have handicapped us in comparison to other European countries (and at this point, I would like to say that the term handicap refers to a crippled or disabled state and not as it often does in our country an opportunity for grace: the confusion of these two terms is fairly typical of the present state of our awareness in which disability is often perceived as a virtue. I will try to list the most serious barriers in order of importance.

The Moral State of Society

The first of these barriers is the moral state of society. I am not referring here to any weighty moral ideas but to brutal facts whose most glaring example (and maybe in many cases the source as well) is the curse of alcoholism. I recently wrote about this problem in a column which cited record figures on alcohol consumption and family spending for alcohol. However, one must remember that the stage of alcoholism that we are presently seeing is not limited to just one group or type of individual nor is it a deviation but more of a social norm which affects other areas of social life to a very great extent.

The first area so affected by alcoholism is obviously work. There are many reasons why worker productivity is relatively low in Poland and to some extent, technology and organization are at fault. However, there is no doubt at all that poor product quality in Poland is often the result of the fact that workers are often either drunk or in some other way affected by consumption of alcohol or are concentrating their thoughts and efforts on drinking. If we consider the fact that the daily job absentee rate in our country varies between 700,000 and a million, it is hard to not see the connection with alcohol.

Polish alcoholism is also not a deviation found only within any fringe group without any substantial influence over how the country is managed or the quality of Polish products. That is the case in other countries in which groups of alcoholics lie outside the mainstream of society. It is the other way around in our country. There is a dangerous number of alcoholics in actively-productive groups. These individuals make their presence felt at their places of work and to be frank, are mostly concentrated within the ruling class which in Poland is the blue-collar working class. Poland's decline through two centuries began when the ruling class of that time, the

nobility, wallowed in drunkenness and lost its identity so as to become no longer able to meet the challenges of that time, or to even preserve the country's material welfare as demonstrated by the number of ruined and deteriorating noble households. The presently rising (due to various pay regulations) flow of money into working-class professions (with its loud arguments about why a foreman or a miner earns more than a professor, etc.) has not at all led to a massive increase in the standard of living of the working class because of the growing amount of money set aside from family budgets for "alcoholic vacations".

I suspect that the state of public morality of which alcoholism is a clear measure is one of the chief obstructions to our taking up the challenges of the present time.

Endangerment of the Environment

The second factor is the degree to which the natural environment is becoming polluted and this is not proportional to the actual level of industrialization and production. It does not mean anything that West Germany also has its acid rains because that is obviously the price which that country has paid for its leading place among industrial nations. Poland pays the same price for its mediocre position. Above all, we have paid this grievous cost for an economy chiefly based on production of raw materials and the operation of shrinking resources of coal, sulfur, minerals and for a low degree of industrial processing of materials (steel industry). After all, it is quite normal that the more specialized an industry is and the more advanced its technology, the purer it is and less harmful to the environment. We must end this destructive relationship to our environment before we wake up one day to find our resources depleted, a shortage of water, our soil heavily contaminated (which would so obviously deprive us of any chance of economic maneuver) and the health of our people ruined. We do not know what productive or intellectual potential will remain to generations raised in a poisoned environment and we are not at all certain that we will not experience the famines common to third-world countries where generations raised in poverty have ever less physical and mental ability to do something about their hunger.

For that reason, the state of the natural environment in Poland and its expected deterioration is becoming one of the main obstructions to our meeting the challenges of the present.

Organizational Inability

The third barrier is the poor organization of our society. There are many reasons why the social organism is becoming less controlled economically and organizationally. Even the best plans are becoming harder and harder to implement and sometimes have to be dropped entirely. A clear example of this is housing construction. There is no other area which is subject to more planning and control than this and in which the interests of the government and society coincide to any greater extent. At the same time, however, we

have for a number of years been seeing less living space and a drop in the actual implementation of planned housing construction and this has caused depletion and devastation of already existing housing. The situation is not only not improving but growing worse. It therefore seems that we have no real control over housing and that the gap between our intentions and what we actually accomplish is growing ever greater.

One can ask why this is so. In my opinion, there are several main causes. The first and most obvious one is that our bureaucracy has been growing for decades. Since for many years the basic means of controlling the economy and social life has been legislation, decrees and orders, we have seen a growing layer of contradictory regulations and documents (even when each of these regulations was needed at the time it was adopted). This allows the executive apparatus in both the economy and government to ignore every decree or order on the basis of a document of equal legal force.

This very fact paralyzes action and the colossal formal effort to implement any plan. Logic, efficiency and even economic results of our actions have a steadily declining role and often become secondary considerations to the practice of management. Not only have many logical and beneficial activities fallen by the wayside under this situation but a rather large number of people have also paid with their jobs and positions and sometimes even their personal freedom for attempts to break the vicious circle. In other words, this demonstrates the erroneous results of the legal repression used by some as a panacea for all illnesses. Generally speaking, this autopaternalism of the economic management and government is one of the causes of our society's inability to govern itself.

Bureaucracy is not the legendary big bad wolf or the fault of the portly director of satire. It is structure within which management and administration achieves dominance over public goals and is therefore the real state of practice.

If we are to overcome this, we must clearly define economic and social goals and furthermore, have trust and reliance on certain natural social drives and trends and somehow incorporate them into growth mechanisms for the entire economy. This is the only way we can throw out the piles of paper that are holding back action, a return to logic and real pragmatism. This does, however, require real understanding of the sort of goals and trends that we can rely on.

The Need For Imagination

Allow me to once again use the example of housing construction since this is where we can best see certain general problems that would mean nothing were it not for the fact that they touch upon other areas and general principles. In its discussion of the theses for the 10th PZPR Congress, the ZSNP [Union of Polish Socialist Youth] was critical of the plan for housing construction which, just like the draft for the National Economic Plan Until 1990, assumed

a certain possible increment in housing construction and living space. The ZSMP charged that this plan was a derivative of the idea of "harmonious growth" and proposed as an alternative greater concentration on the construction of large M-9 type multi-room apartments. I do not feel at all like evaluating the reality of this idea but I would like to make a few remarks on its style. What it seeks is to comfortably fit a family of grandfathers, parents and grandchildren into a single apartment which, in the opinion of its proponents, would save appliances (kitchen, bathroom, etc.) and would provide certain social benefits such as people in their working age caring for their elders and the elderly taking care of their grandchildren. This would supposedly resolve two important social dilemmas. It could indeed do so in the future if the housing situation were brought under control and the standard of a large and comfortable apartment became the norm. Let me repeat that I am not in a position to assess how realistic this is nor the measure of any its social or educational benefits. I do however feel that this way of thinking has its justifications and is something that could be arranged in the future. I think that the choosing of a goal rather than merely multiplying already existing situations is a factor that could greatly vitalize housing and help restore some control over that situation.

Life Is One Thing and Paper Is Another

Let us now look at the trends that we can consider. I have repeated above the well-known fact that our planned housing resources have not increased but are actually diminishing. At the same time, however, we can observe a surprising amount of building the dimensions of which can be seen by merely riding a few kilometers outside of any large urban center or into the country. The colossal and seemingly undocumented dimensions of this construction are often evaluated as being one of the causes of stagnation in planned construction due to the amount of personnel and materials they absorb. It is no secret that much cement, lime, boards and bricks used in spontaneous construction come from disorderly and sluggish construction sites. However, that is not the point I am trying to make. What I want to say is that people want to build and live as they please and that they put a lot of their own resources and efforts into doing that. Why is it that with such a strong social demand for housing we see such poor results in planned construction? This is obviously the result of the fact that this trend has gone unrecognized, no one has any idea of how to connect housing construction with what the public wants or how to use the public's wishes to stimulate planned construction. We can find an exhausting list of examples in still other areas of the economy.

The joining of natural social trends with the state's economic and social goals as a whole was supposed to find its expression in the economic reform. However, it seems that the reform has and continues to lack any real faith in its own ability to give birth to healthy phenomena that could vitalize development and not only make the economy but also social atmosphere healthier even if the results were to lead to greater wage differences, greater selectivity on the labor market and changes in market relations. The fear of such phenomena has led to a paradoxical situation in which the tentative

loosening-up of reform is accompanied by an ever-greater number of regulations, prohibitions and restrictions that not only fail to simplify but actually exaggerate the bureaucratic superstructure and leads to paralysis. An eloquent example of the real state of affairs was cited at one of the pre-congress party conferences where it was stated that the planned and enormous growth in the role of banks in controlling the economy and the banking system in general is one of the least growing areas of the economy in Poland both in terms of wages and employment.

In this sense, to eliminate the last barrier to our meeting the challenges of today, we must break the circle of organizational paralysis caused by bureaucracy.

There Are No People Without a Program

This effort is to an enormous degree dependent on the quality of our leaders in government, industry, science, culture and social life. It is the leaders after all that are responsible for formulating goals and finding the social means necessary to reach them. One cannot, however, overlook the fact that the present state of our leadership is to a great extent the result of the social conflicts that took place in Poland in 1980. These conflicts led to a situation in which some leaders were found to be wanting in their abilities, others refused any participation in bringing about a modern Poland and still others were eliminated through competition. Taking a practical look at things, we can say that the potential base for recruiting leaders for various levels and areas of management actually shrunk. The obvious and logical consequence of that was that the narrowed recruiting base has given us fewer choices of people and therefore worse people.

It is no coincidence that in the periods in which Poland has so often tried to undertake reforms, the first challenge was to broaden its leadership and base of leader recruitment and find more experts inside and outside of the party and young people and those previously left out.

I want to be understood. I do not have any illusions about the mental potential and qualifications of our leaders that are presented in one way or another as a "front for renewal". As I have already written many times, if the period of 1980-81 became a painful disillusionment, this was because it was suddenly discovered how few creative and logical ideas were being offered by the people who had previously stood on the sidelines. The disappointment after 16 months confirmed for me how little was being said by those that complain and how little real leadership and talent was found in the people who felt deprived of any influence over events in Poland. Today, this is even admitted by the more prudent authors of the "underground" and emigré presses. However, none of this justifies all of the actions that unconsciously or not have confined the base of recruitment and have therefore hurt the quality of leadership. In official declarations, one often hears about a policy of "opening up" to people of different ideological and intellectual points of view but such statements often differ from what is actually practiced.

However, this "opening up" must also include more openness to the options presented by people with different views. I will say that if we open ourselves up to people without opening ourselves up to their ideas, we will not gain anything of any value because almost no person of any value can separate himself from his beliefs.

At the same time, the quality of a competent leader cadre not burdened with routine and unafraid to stand up for what it believes is the necessary condition for removing the next barrier on the way to meeting the challenges of our times.

This means more than just overcoming the absenteeism and refusal of some potentially creative groups to take part in social life and organize themselves into "alternate realities". This attempt to band together in these "alternate realities" hides much of an erroneous nature. The support and sympathy that some circles in the West show for these attempts sometimes creates the impression that this offers an important means of bringing Poland into contact with the world. That, however, is an illusion. The martyred Polish "underground" wafting incense and singing the hymns of its semper fidelis to the people is an impressive vision of excited newspaper reports but is also a vision that is culturally, socially and economically anachronistic. One can be attracted by its vivid folklorism but no one can take it too seriously. Perhaps it does play a certain role in confrontations but that is not where our hope for the future lies. The propagation of this vision is somewhat like the dirty work of someone selling narcotics to the simple-hearted and naive.

The challenges of our times are a fact. If we fail to meet them, we will fall far behind the other countries of the world and gradually lose our place in the growing community of nations. I would, however, like to say that it is up to us alone to fulfill the conditions for our participation in this community.

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